







FINANCIAL TIMES

IBM to curb nine-month losses

Cost-cutting helped US computer giant IBM to lower than expected losses of \$48m for the third quarter, but chairman Lou Gerstner warned: "The company's cost and expense structure remain uncompetitive." He said IBM could become profitable again as its gross margins fell into line with those in the rest of the computer industry.

israel plans deals with Arabs: Israel is negotiating multi-billion dollar energy projects with Arab partners and could soon sign a deal with Qatar to start work on a \$1.8bn natural gas

Union threat to spread Air France action:



Air France pilots (above) joined a demonstration at Orly airport south of Paris as unions threatened to widen the action to other public sector groups. The strike has continued despite government concessions on an austerity plan for Air France. Yesterday a union leader said those concessions set a precedent and protests would now be launched against planned job cuts in other public sector concerns. Page 14; High flier takes control, Page 3

UN finds signs of Bosnia atrocities: UN peacekeepers entered the Moslem village of Stupni Do and found it destroyed. They said there was evidence that Croat forces committed atrocities. UN curbs aid, Page 3; No news is bad news, Page 12

Northern Ireland peace plan: British prime minister John Major and his Irish counterpart Albert Reynolds are to discuss a peace plan for Northern Ireland. Their Friday meeting was confirmed despite rising violence in Belfast since Saturday's terrorist bombing killed 10 people.

Gloomy report on UK industry: The Confederation of British Industry said that over the last four months manufacturing orders and output were flat, export orders fell, more jobs were lost and business confidence weakened. Page 9; Lex, Page 14

US consumer confidence fell in October as consumers sharply lowered their expectations for the immediate future. The Conference Board Consumer Confidence Index was 59.4 compared with 63.8 in September.

sition is growing to Volvo's plan to merge its vehicle making with Renault of France. Page 15; Lex. Page 14

Substitute sought for Seat: The Spanish regional government of Cataluña promised Ptasbn (\$45m) in credits and guarantees to auto-parts suppliers willing to set up business on the site of Scat's apparently doomed plant in Barcelona.

Georgian town recaptured: Georgia said its troops had recaptured the strategically important town of Senaki from forces loyal to former president Zviad Gamsakhurdia. Picture, Page 4

Haiti's frightened parliament falled to muster a quorum to consider a UN peace plan to return ousted president Jean-Bertrand Aristide to power because many senators were too scared to attend.

Den Norske Bank, Norway's biggest bank, moved out of the red with its best result since its formation from a 1990 merger of Den Norske Creditbank and Bergen Bank. Nine-month net profits of NKr699m (\$100m) compared with a NKr2.46bn loss a year earlier. Page 15

Hope for locust control: Scientists in Kenya have isolated chemicals which may influence whether desert locusts swarm and devastate crops. The chemicals make many locusts lay eggs at roughly the same time. This creates large numbers of insects which swarm in search of food. Page 24

Ivory cache uncovered: South African police seized illegal ivory worth \$300,000 and said they had broken a big Taiwanese smuggling ring.

irish writer wins British prize: Dublin-born writer Roddy Doyle won Britain's 220,000 (\$30,000) 1993 Booker literary prize for his novel Paddy

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Cost-cutting helps | Traditional parties suffer as Canadian voters seek political reforms

Chrétien vows national unity

By Bernard Simon in Toronto

MR Jean Chrétien, Canada's incoming prime minister, pledged yesterday to work for national unity in the wake of stunning gains by two fledgling and potentially divisive regional parties in

Monday's general election.
The election transformed Canada's political landscape like no other in its 126-year history. Mr Chrètien's Liberal party won a landslide victory, gaining 178 out of 295 seats in the House of Commons. But the strong performance by the two regional parties - the separatist Bloc Québécois, and the Reform party, whose main strength is in west-ern Canada - could increase strains between English and

French-speaking Canadians, Two of Canada's traditional three national parties suffered devastating setbacks at the polls, as voters sought a change from the tough economic times of recent years. One political organiser estimated that at least 40 per cent of the electorate voted for a party which they had never before supported.

The Progressive Conservatives, who have held office since 1964, won only two seats, in spite of gaining 16 per cent of the popular vote. The Tory vote was split in many constituencies by Reform. allowing the Liberal candidate to come up the middle.

Ms Kim Campbell, who took over as Conservative leader and prime minister four months ago, was defeated in her Vancouver constituency. Under party rules, a new leadership convention must take place within a year. Ms Campbell is not expected to stand for re-election.

The BQ, which won 54 seats, will form the official opposition. Mr Lucien Bouchard, its leader,

Pages 6 and 7

Liberal party softens its approach to freer trade

Tradition of give and to is swept away

■ Bank supports Canadian \$ Growth prospects rise

Page 13 ■ Editorial Comment

said in his victory speech that "the Bloc will be positive and responsible in parliament, while

vigorously pursuing sovereignty for Quebec". He added: "we want to correct the inequities of the system to give Quebec a bigger slice of the pie."
The Reform party, which opposes official bilingualism and other concessions to Quebec,

gained 52 seats, the bulk in Alberta and British Columbia. The left-of-centre New Demo-cratic party held only eight of its Mr Chrétien said he understood the frustrations which led voters to support the BQ and Reform. He pledged to "try to bring us together by appealing not to what divides us, but what unites

us." The Liberals won seats in all 10 provinces. Ms Campbell took office amid high hopes that she would be able to erase the unnopularity of Mr Brian Mulroney, her predecessor, but her intelligence and plamour were offset by political inexperience. While Ms Campbell emphasised the painful message

of deficit reduction on the cam-



Triumphant: Incoming Canadian prime minister Jean Crétien, with his wife Aline alongside, waves to supporters after his Liberal party won a landslide victory in Monday's general election

ing message of job creation, Mr Chrétien is expected to visit Washington within the next few months to discuss the future of the North American free trade agreement with President Bill Clinton, The Liberals have pledged to try to renegotiate the accord. Most observers predict that a face-saving formula will

paign stump, the experienced Mr found to allow them to implement Nafta as scheduled on January 1, provided it is approved by the US Congress next month. In Washington Mr Clinton, who

called Mr Chrétien to congratulate him, told reporters: "I see no reason to renegotiate the agree-ment...I think we should just go ahead. (think all the countries involved have a lot at stake

Canadian military are lobbying to include the helicopter purchase in a wider review of

Mr Chrétien also promised that one of his first acts on taking office would be to cancel a C\$5.8bn (\$4.3bn) order for 50 military helicopters built by the UK's Westland Group and Agusta of Italy. The UK-Italian consortium, its local contractors and the

Sanctions delayed as Japanese plan open market

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By William Dawkins in Tokyo and ncy Dunne in Washington

THE US yesterday postponed the imposition of economic sanctions against Japan after Tokyo announced plans to inject fresh competition into its scandal-ridden public sector construction

This is the first tangible sign of improved US-Japanese relations since the arrival in August of the coalition government of Mr Mori-hiro Hosokawa, which has pleased the Clinton administration by promising to scrap restrictive practices and to cut red tape generally.

It comes against a backdrop of

continuing serious differences between Tokyo and Washington on foreign access to all Japan's markets. But it indicates that Japan and the US are on the way to resolving differences on public procurement in construction, which had threatened to provide another stumbling block to com-pletion of the Uruguay Round of world trade liberalisation talks.

Mr Mickey Kantor, the US trade representative, said he would recommend to President Bill Clinton a delay until January 20 in the sanctions against Japan which had been due to go into effect on November 1. In the meantime, the US will monitor Japanese reform efforts.

The Japanese proposals would make it easier for foreign companies to tender for construction projects by national and regional government and agencies, worth Y8,537bn (\$80.3bn) this year, according to the finance minisry. That is, however, a small fraction of the total private and public sector construction mar-ket, estimated to be worth at least Y100,000bn by Mr Etsusuke Masuda, director of equity research at Salomon Brothers

panies caught bribing officials or rigging bids are also proposed. This is a response to the widening net of construction industry scandals, involving Japan's top six construction companies,

Continued on Page 14 US demands; Uphill task to win orders, Page 5

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陈诗寺

Delors sets agenda for reducing jobless

By Lionel Barber and

MR Jacques Delors, European Commission president, said in Luxembourg yesterday he was convinced the EC could reduce mass unemployment, which is

"paralysing European societies". This would be achieved through a mix of job-sharing, part-time work and wage flexibility, according to the latest draft of the white paper on competitiveness, growth and employ-

get of creating 20m new jobs by end of this decade, in its blueprint for tackling mass unem-

ployment in Europe. The white paper, which is

this Friday's special EC summit in Brussels. The final version will be the centreniece of December's meeting of EC leaders.

The creation of 20m jobs, to reduce current EC unemployment rates of 10.4 per cent to 5 per cent by the year 2000, would match the performance of the US economy in the 1980s. It implies annual growth rates between 3 and 3.5 per cent, levels which are not likely to start until 1995.

Mr Delors said in Luxembourg yesterday that he was convinced The Commission has set a tarthe EC could reduce mass unemployment, which was "paralysing European societies".

being co-ordinated by Mr Delors. the heads of government," the within a mutually reinforcing • Employment costs. The paper day after being rebuffed by EC finance ministers on his ideas for boosting economic growth.

The Commission draft calls for

an overhaul of EC labour markets, and an increase in investment from 19 per cent to 23-24 per cent of Community GDP, a figure last seen in 1964-74. The slower expansion of private consumption would be the

price to pay for increasing competitiveness, job creation, and therefore future prosperity," the draft says. The Commission makes clear

that it is not advocating EC-wide legislation. Reforms should be

Among the chief recommendations of the draft white paper New incentives for part-time work. This would reduce the average hours worked and allow

the number of jobs to increase. • Greater wage flexibility, including possible dilution of minimum wage legislation.

more heavily than capital, and calls for a progressive reduction in non-wage costs for lower-

Taxes on pollution and energy to compensate for revenue losses as a result of the reduction in employment costs.

Growth figure rejected, Page 2

tailored to the specific needs of member states, but carried out "I have a lot of ideas in my head and I hope I can convince Ferranti in talks with secret

bidder at token 1p a share

By Our Industrial Staff

THE CURTAIN began to fall yesterday on one of the most distinguished names in British industry. Ferranti, the deeply troubled UK electronics company, announced it was in talks with an unnamed bidder at a token 1p a share, a bid which would signal the end of independence for the company and value it at a mere £9.7m (\$14.6m).

This compares with a peak

value of £845m in early 1989, just before a disastrous \$1.1bn fraud was uncovered at its US subsidiary International Signal and Control (ISC).

Founded at the end of the last

century by Liverpool-born Sebastian Ziani de Ferranti, the company became a flagship of UK technology. It was a pioneer in semiconductors, developing the first European microprocessor in the 1970s. Its computer division, now part of Fujitsu of Japan, loped a scientific computer which was competitive with the largest IBM machines. In the

The declining fortunes ofPage 21 Ferranti..... ...Page 14

early 1960s it was one of the nio-

neers of numerical control for machine tools, a field now dominated by Japan, Germany and the US. Speculation on the unnamed

bidder focused yesterday on rival defence companies, since twothirds of Ferranti's business consists of defence work, GEC, which bought large parts of Ferranti's defence business after the ISC fraud, refused to comment. British Aerospace denied any involvement. Thomson of France. which has a joint venture with Ferranti in sonar equipment, was unavailable for comment,

Ferranti emphasised that while it was in discussions, there was no certainty of an offer being made. Earlier this month it was obliged by law to call an extraordinary meeting of shareholders, since mounting losses meant its

net worth had fallen to less than half its share capital. Mr Eugene Anderson, chairman, told shareholders he would seek to strengthen the balance sheet through equity injection or stra-

tegic partnership.

The indicated price of 1p per share took the stock market by surprise yesterday. The shares had started the day at 9.25p, and they closed at 25p in heavy trad-

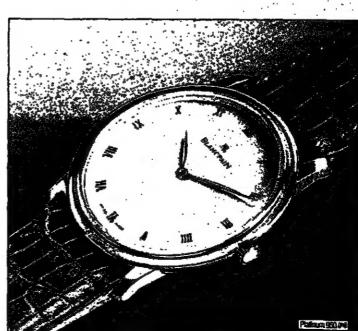
The company's likely loss of independence is chiefly attributable to the fraud at ISC, whose head Mr James Guerin received a 15-year jail sentence last year. However, it had also been criticised for poor management and loss of direction. A City of London analyst said last night: "ISC was a body blow to a company which looked dodgy already. It

hadn't moved with the times." Ferranti has recently been struggling to land defence con-tracts, both in the UK and the Middle East. It said last night that one large contract with Bahrain was still under discussion.

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Defenders of Emu deploy their forces

By Andrew Hill in Brussels

THE Belgian presidency of the EC, Mr Jacques Delors, Commission president, and European Community employers, yesterday threw their weight behind existing plans for economic and monetary union.

Mr Philippe Maystadt, Belgian finance minister, said the European Monetary Institute forerunner of a European central bank - should play a forceful role in preparing for a sin-

gle currency by 1999.
The EMI will begin its work on January 1, 1994, provided EC leaders can decide on a site for the institution at their summit in Brussels on Friday.

Mr Delors also stressed the

importance of the Emu objectives, and the role of the EML In an interview for Belgian television, he said the EMI would "round up the lost sheep (among EC economies), give new stability to a relatively fixed exchange rate system, and lead to economic conver-

gence". The currency turmoil of the last year has left the European monetary system in disarray and recession has raised doubts about the original plans for economic union. Mr John Major, the British prime minister, recently dismissed the timetable for a single currency as "folly".

But Mr Maystadt, one of the EC's longest-serving finance ministers, said yesterday that the Maastricht deadline of 1999 for monetary union was still feasible, even if the more ambitions target of 1997 would be difficult to achieve because of the EC's economic problems.

In an interview with the Financial Times, Mr Maystadt also defended the nomination of Mr Alexandre Lamfalussy as the first president of the EMI. The choice should be confirmed by EC leaders on Friday. Mr Maystadt sald Mr Lamfalussy, Belgian general manager of the Bank for Inter-national Settlements in Basle,



Maystadt believes deadline for monetary union is still feasible

the Maastricht aims. "We know that Mr Lamfalussy is really convinced of the ne for Europe to go to a single currency: he's a true believer in the single currency and that's not the case with all the

EC employers' federations, also called for EC leaders to refocus on the Emu objectives. "We think that the single market He said the EMI would be "a without a stable monetary relationship will be very difficult more permanent and more objective supervisory body for to sustain," said Mr Carlos Fer-

EC growth figure rejected Strik

THE suggestion by Mr Henning Christophersen, the European Community's economic affairs commissioner, of 2 per cent growth in the EC next year was branded as overoptimistic by private sector of the commission forecast economists yesterday amid signs that it is incompatible with the latest internal EC

commission forecasts. On Monday, Mr Christophersen told journalists at the EC finance ministers' meeting in Luxembourg that EC-wide growth could be between 1.5 per cent and 2 per cent next year if the latest German growth forecasts turned out to accurate.

However, it emerged while Mr Christophersen was making his prediction that commission forecasters in Brussels were starting a two-day meeting with colleagues from EC member states armed with internal commission forecasts pointing to less than 1 per cent EC-wide growth in 1994.

Mr Christophersen appeared to base his remarks on projections by five of Germany's six leading economic research institutes forecasting 1.5 per cent growth in Germany next year. Such a growth rate would boost EC-wide economic growth by about 0.45 per cent.

But, according to EC officials, the commissioner seemed not to take into account internal commission forecasts that have downgraded 1994 growth from 1.25 per cent published in June to less than 1 per cent. While this week's forecasters' meeting might lead to an upgrading past experience suggests that any change would be small and typically around 0.2 percentage

Mr Christophersen's sugges-tion that growth could reach 2 per cent surprised EC finance ministries yesterday because he had not mentioned it during Monday's meeting. Private sector economists also doubted whether his upbeat forecast

Mr George Magnus, international economist of S G Warburg Securities in London, said Mr Christophersen's forecast was "wishful thinking" and that 1 per cent EC growth "was just about achievable". Mr Martin Hüfner, chief economist of Bayerische Vereinsbank in Munich, said 2 per cent growth "looked very optimistic"

The German growth fore-casts on which Mr Christophersen based his remarks are contentious. They were rejected by one of the six German institutes and criticised by the association of German private



Christopherseu: economists said his forecast was over-optimistic:

Sixteen divides Twelve Some Nordic and Alpine fresh air

By David Gardner

EFFORTS by the Belgian presidency of the EC to keep a potentially damaging row over the relative voting power of big and small Community states out of this Friday's Brussels summit looked yesterday as though they might have failed.

A discussion by foreign ministers of the Twelve on how to adjust the EC's institutional arrangements to accommodate four small countries negotiating entry into the EC by 1995 -Austria, Finland, Sweden and Norway - ended in a stand-off between the big and small member states.

Germany, the UK, France and Spain are looking to adjust the qualified, or weighted. majority voting system, to

ensure they and their likely allies will continue to be able to block unpalatable legislation, after the Twelve become the Sixteen. They also want to ensure that the six-monthly rotation of the EC presidency, now alphabetical, will always ensure that a European power is involved in EC foreign policy, by adjusting the "troika" system of representation through the current, preceding

and succeeding presidencies.
All the small member states said vesterday that institutional changes should walt until after enlargement, and be dealt with at the EC's next constitutional review in 1996. A debate now would "fuel divisions in the EC which we do not need at this juncture", said Mr Dick Spring, Irish foreign

minister. Others said any

appearance of rewriting the rules to favour larger states could sink the enlargement negotiations. "This is a standoff," said a diplomat from one small member state, "at the end of the day we are going to have to decide do we want enlargement or do we want institutional reform."

But Mr Douglas Hurd, UK foreign secretary, stressed: "It is in the interests of Great Britain that there should be an adequate system of blocking minority (voting) after the entry of the new members."

The UK. Germany, France and Spain, acknowledged that was a very sensitive issue, but said that although the Belgian presidency was refusing to put it on the summit agenda, it would almost cer-tainly come up in discussions.

Brossels on Friday, a A rather battered collection of EC leaders will not only be able to cheer themselves that the Maastricht treaty is now ratified, but take heart too that there are at last signs of progress on bringing four Nordic and Alpine coun-

tries into the Community by

tem" than existing inter-gov-

ernmental bodies like the

secretive EC monetary commit-

tee. Unice, which represents

Amid doubts over the viability of monetary union, the growing jobs crisis and Europe's fallure to bring peace to Bosnia, enlargement to bring in Austria, Sweden, Finland and Norway is a comfortingly solid goal for the Community to set course for.

It has not often seemed that way since the glacially slow

Brussels summit will take heart from progress on enlargement, writes David Gardner T THEIR summit in negotiations started with these approach is as important as the details, given attitudes prevalent in applicant counmembers of the loose European Free Trade Association (Efta) in February. The sumtries that entry is all right just mit is set to force the pace of so long as it is the EC which is the talks, possibly acting on a joining them. "It is not unin-

> sion negotiator remarks archly, "that it sounds like isterial negotiations between they're pulling us up to their the Twelve and the Four. On Friday, nonetheless, the uropean Commission should

be able to report to the summit that most of the candidate countries' legislation has been argued into compatibility with the BC's single market, and that the Twelve and the Four have taken blg strides in aligning health and safety and veterinary standards and indi-

German proposal made yester-day to hold more regular min-

rect taxation. What is more important, the Commission can at last point to the first signs of progress on the make-or-break issues of the enlargement talks: the compatibility of the (often higher) environmental standards of the applicants, and how to pay for their (much higher) agricultural and regional subsidy regimes. All four applicants will hold a referendum on EC accession, and need to convince their increasingly Euro-sceptical peoples that the Community represents no threat to the quality of their lives and their very green" identities.

Environmental issues, according to an internal Commission document, "may prove to be decisive for the successful conclusion of the enlarge-ment exercise". All four applicant governments fear a No vote if the EC is seen to be diluting what they consider higher standards in order to safeguard border-free trade.

The Brussels enlargement task force has thus evolved a three-tier approach, so far well-received by the applicants. Where standards are equivalent, if different, such as on car emission limits, the EC should refuse to budge. Where the EC has set target dates for raised standards, for example on safety belts, appli-cants would get transitional exemptions. On the tricklest issues, for instance health labelling on products or use of certain pesticides, the EC is proposing to grant transitional exemptions with a review after three years, when appli-cants should be in the EC and taking part in amending the

The psychology of this

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differences to be ironed out in this case range from farm price subsidies which are 25 cent higher than the EC's ble this. in Austria to 100 per cent higher in Norway - by because tentional," one senior Commisof the single market there will be no borders at which to do

the levying. Some Commission agriculture and customs regime officials are arguing that the new

'As far as the EC regional funding goes, they don't need electricity and roads. Their abattoirs are better than our houses. It's better to be a cow up there.

mant that the new member states will not be allowed to use border controls to keep EC products out for environmental reasons. Thus the EC insists that Austria can only keep its transit agreement with the Community limiting EC tracks passing through its es if it operates the same curbs on Austrian and non-RC lorries.

That attitude will be hard to maintain, however, if the Brussels negotiators lose the argument within the Commission over how to deal with the applicants' heavily subsidised Arctic and Alpine agriculture, which the Four are determined to preserve to keep their countries more evenly populated.

in previous enlargements, farm price support differences have been dealt with by border levies to even them out. The

der controls until their farm prices move into line with the EC's, what would be a long process. The issue has not been decided, but the enlargement negotiators view any such dilution of the single market with horror.

"If you accept border con-trols for agriculture it's hard to stop them being used for other purposes," one senior official says. "We wouldn't get free competition in their markets." The careful compromises emerging on environment and health and safety standards, moreover, could be unravelled by border controls,

The solution he advocates is direct income compensation to farmers in the four countries, Ecu2.2bn (£1.7bn) a year. The

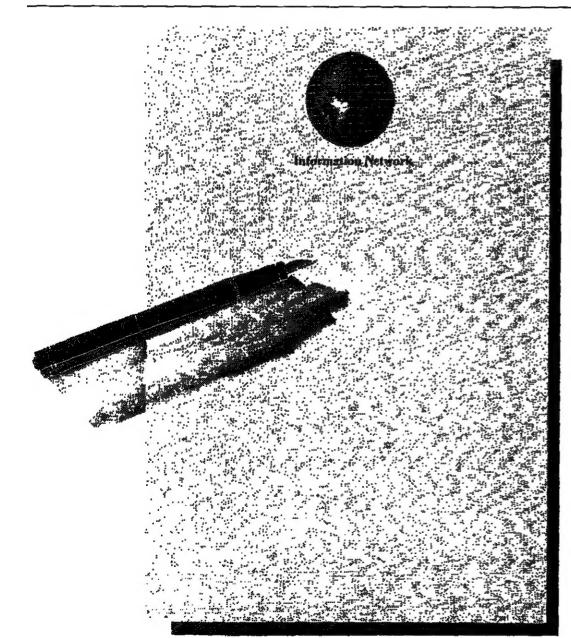
net contributions to the EC budget the Four are expected to make would be around dou-

The next stage of the argument would therefore he how to share out the cost of the compensation, and how to finance lavish regional subsidies, which in the Nordic countries are linked to concern for the security of their empty northern territories.

EC regional policy, geared to helping backward and industrially stricken areas, does not really measure up to northern Nordic needs. "They don't need electricity and roads. Their abattoirs are better than our houses," says one negotia-tor. "It's better to be a cow up there." Again, an income support scheme linked to differences between regions is being looked at.

But even if the way forward is now in view, there is still a lot to negotiate: Norwegian determination to retain full control over its energy and fisheries resources; the voting weight and representation these four small countries would get inside EC institutions, at a time when the UK, France, Germany and Spain are seeking to increase big countries' influence; and how the Four, all except Norway formally neutral, would fit into the Maastricht treaty's

foreign and security policy.
On Friday they will be looking for clear signs that the 12 want to find a way through the thicket.



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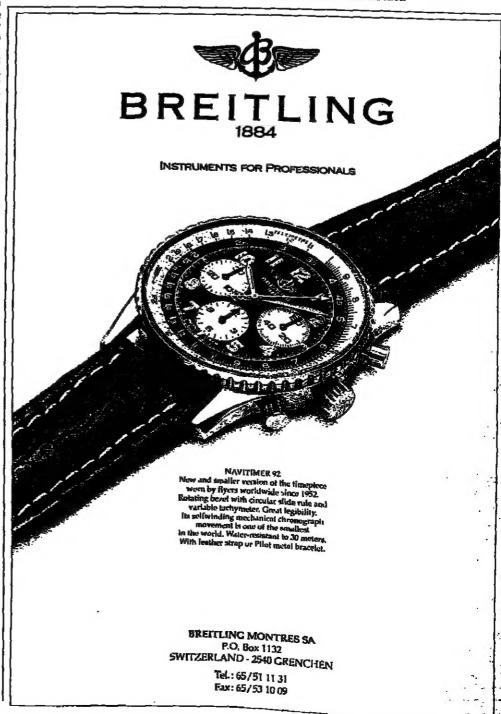
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Strike called over Belgian austerity plan

BELGIUM'S Socialist trade unions yesterday called for a one-day public transport strike on Friday to protest against the government's proposed

austerity package.

The day of the strike coincides with the summit of European Community leaders in Brussels, which as a result will face disruption from traffic chaos, stoppages and demon-

Last week, the Socialist unions walked out of talks with government and employers on how to solve the problems of lack of competitiveness, unemployment and a growing social security deficit. Yesterday, Mr Jean-Luc Dehaene, prime minister, unveiled outline measures which the country's centre-left coalition will now try to push through on its own. The task is particularly delicate because there are doubts whether the French-speaking Socialist members of the coalition will support proposals opposed by

The unions are angry about

ing pay and delaying the impact of salary increases for

Senior Belgian government officials said yesterday that the package of measures would try last week's falled talks, but without inflaming the unions and risking the collapse of the

A statement issued after yes terday's cabinet discussion of the package tried to reasure the unions by promising that the government would concentrate on improving employment. Buf Mr Dehaens warned at a news conference that some form of wage restraint would almost cartainly have to be included in the final measures.

Mr Dehaene, who will chair Friday's EC summit, will start talks on the detail of the measures with his coalition partners on Saturday morning.

Officials admitted yesterday that the failure to agree a framework deal with the unions and the employers would make the task much

High flier takes control of grounded airline

Air France's new chief has plenty of experience of militant opposition at home and abroad, writes John Ridding

R Christian Blanc, due to be officially confirmed today as the head of Air France, has clashed with striking workers on the Paris underground and dealt with militant separatists in an overseas colony. But he may still he forgiven for hav-ing qualms about his new chal-

ienge. He takes over the loss-mak-ing strline when it is mired in a bitter industrial dispute. His predecessor, Mr Bernard Attali, was undermined by the French government which to scrap a recovery plan he deemed essential for the airline's survival. Mr Blanc now has three months to draw health to the airline and resolve the strikes which have paralysed the state-owned national carrier.

It is hardly an enticing prospect. The strength of union opposition to restructuring measures was clearly illustrated yesterday in a show of force, dubbed "Black Tuesday" by the French press, which saw the airline's operations halted by co-ordinated action by groundstaff, airport workunion members at Air France's domestic airline subsidiary.

Mr Rianc, however, has some useful cards up his sleeve. As former head of RATP, the Paris bus and metro operator, he has experience of managing a public sector group and of implementing reforms in the face of powerful union opposition.

During his tenure at RATP, between 1989 and 1992, Mr Blanc succeeded in decentralising the group's operations, reducing the number of management layers from seven to three, and rationalising pay scales, a particularly sensitive

But he also experienced the risks of reform. In 1992 he was faced with a strike by workers on the Paris metro as a result of his attempts to guarantee a minimum level of service during industrial disputes and to reduce pay for striking employ-ees. After failing to win sup-port from the Socialist government of Mr Plears Bérégevoy,

"The experience of the strike of 1992 shows two things about Mr Blanc," says one executive at RATP. "He is determined to and he will not compromise."

introduce management reforms Another former colleague says he is likely to have demanded a free hand in man-

he a tall order, particularly in the light of Mr Attali's sudden loss of government support. If RATP was a turbulent

period for Mr Blanc, it was peaceful compared with his previous challenge in New Cal-edonia. In 1988, he was appointed by Mr Michel Roc-ard, then Socialist prime minister, as head of a mission to resolve a conflict sparked by an independence movement in the South Pacific colony. The mission played a large part in the conclusion of the Matignon Accords which defused the dispute and represented one of the successes of the Rocard administration.

Mr Blanc's achievement in New Caledonia and his stint at RATP should provide valuable experience at Air France. So, too should his political con-

As a close friend of Mr Roc ard, now the leader of the Socialist party, it may appear curious that he has been picked by Mr Edouard Balladur's centre-right government to resolve its first serious industrial dispute.

His reputation as a tough negotiator is the most important explanation. His leftwing credentials might also help in negotiations with the

hitherto implacable strikers ever, take this for granted. Mr Louis Viannet, general secre-tary of the Confédération Générale du Travail, one of the union groups spearheading the protests at the national carrier, issued a stern warning yester-day, "Mr Blanc should not try to do at Air France what he sought to do at RATP," said Mr Viannet in a radio interview He said the Air France chief should take into account the "errors that have been made" at the airline and should discuss fully with the unions any measures he plans to take.

That leaves Mr Blanc in a difficult position. The govern-ment, despite its climbdown, still says it wants to imple ment the 4,000 job cuts envis-aged in Mr Attali's plan, although it has said the cuts can be achieved without forced redundancies. The airline, which is forecast to lose more than FFr5bn (£580m) this year. remains in urgent need of

restructuring.
Mr Blanc's first three months - the time the government allowed for a new recovery plan to be drawn up - are therefore likely to represent the sternest test of his negotia

Tapie to resign at football club

By Alice Rewethorn in Peris

MR BERNARD TAPIE, the controversial French politician and businessman, yesterday announced that he plans soon to resign as chairman of Olympique-Marseille (O-M), the scandal-scarred football club. He broke the news in an

interview with L'Equipe, the sports newspaper, adding that his position at O-M was incompatible with his political ambi-

Mr Tapie, who has a seat in parliament as an independent Socialist and had a short stint as urban affairs minister in the last Socialist government, left-wing radicals in next Cup, which it won last spring June's European elections. He — the first French club to do June's European elections. He is also expected to stand as mayor of Marseilles in the next general election. However, Mr Taple, who

took over O.M in 1986 and has team to rig out since invested around league games.

turn it into France's too team. said he had not yet finalised plans for his departure.

He is femous in France for his temperamental approach to business affairs and earlier this month vowed publicly that he would stay at O-M.

He told L'Equipe he had already "made contact" with prospective investors in the Marseilles team. He had received inquiries from "a big farniture manufacturer, an upmerket jeweller and a

its finances following its ban from this season's European that its officials tried to bribe players from another French team to rig one of last season's Zurich is a major international insurance group.

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UN curbs Bosnia aid until safety guarantees given

THE United Nations yesterday suspended delivery of emergency aid to more than Im peo-ple stranded in central Bosnia until warring Croat and Mos-lem forces guarantee the safety

Mr Boutros Boutros Ghali, the UN secretary general, took the decision after UN convoys on Monday were hit by machine gun and mortar fire, killing a Danish larry driver and wounding nine UN work-

Lord Owen, the European Community's peace inediator, said in Lanembourg yesterday he was sceptical about using force to get supplies through to people as winter approached.

The UN High Commissioner for Refugees said yesterday that the area under suspension included Mostar in the south-west, and towns in cen-Moslems were fighting. Ms Sylvana Foa, spokeswoman of the UNHCR said operations would

get under way once the parties gave credible guarantees for

The decision to suspend some aid convoys would make it extremely difficult for people in some areas such as Mostar, atthough others would still get help, Lord Owen said. Lord Owen said the idea of

Lord Owen said the idea of creating a "safe route" from the Adriatic coast to Sarajevo was being considered, but he pointed to enormous problems with using force.

Mr François Mitterrand, the French president, called on Menday for help, including US military protection, to force

yesterday, although there was no confirmation that they had been arrested along with

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NEWS: EUROPE

SPD rejects plans for new generation of extra-safe reactors

Doubts over German nuclear industry

By Quentin Peel In Bonn

GERMANY'S opposition Social Democrats yesterday rejected plans to allow development of a new generation of extra-safe nuclear reactors in the country, throwing into doubt the future of the German nuclear industry. The decision by the national executive of the SPD was immediately condemned by leaders of the ruling coalition as undermining the fundamental development prospects

of the German economy. It throws into doubt the year-long efforts to negotiate a cross-party "energy consensus" intended to provide a clear framework for the investment plans of the energy industry,

NEWS IN BRIEF

less than that of their employees.

Sicilian bank chief quits

L3,000bn (£1.24bn) of bad loans are reported.

Taxing times for

SALARIED workers in Italy declare higher average earnings and pay more taxes than businessmen, writes Robert Graham in Rome. This trend, long suspected by the tax authorities, has been

confirmed by finance ministry research. It is based on 1990 returns of 28.6m Italians and was undertaken.

following the discovery by tax inspectors on random assessments

that employers were on occasions declaring earnings three times

Analysis of returns also produced the extraordinary finding

that almost 40 percent of the 340,000 businesses subject to corporation tax had avoided payment. This was because they either declared earnings below the taxable minimum or reported losses.

Mr Guido Savignone, chairman of the Banco di Sicilia, the

island's leading financial institution, has resigned following sharp criticism of the management by the Italian Treesury,

The attack on the failure of management to improve results

after a shake-up two years ago represents a significant toughen-ing in the authorities' attitudes towards financial institutions in

which the state has stakes. The Treasury has 14 per cent of Banco di Sicilia, the remainder being held by a foundation controlled by

the regional government. The bank is understood to have just

balanced its books in 1992 but risks a loss this year. Some

Mielke jailed for Weimar crimes

A Berlin court yesterday sentenced Erick Mielke (85), former

chief of the hated secret police in Communist East Germany, to

six years in prison for two murders committed in the Weimar

republic six decades ago, writes Ariane Genillard in Bonn. He also faces charges of abusing human rights during the Commu-

nist era, including the killing of people crossing the Berlin wall.

Italian workers

including both domestic coal mining and nuclear power.

It also calls into question the long-term future of the German coal mining industry, which has survived so far on a mixture of direct subsidy paid by electricity consumers, and cross-subsidies from nuclear power paid by the electricity

The SPD, which controls the governments of several key states in the federal republic where nuclear plants operate, also declared its determination to switch from reprocessing nuclear waste - in Britain and France - to direct disposal.

However, the party leadership has left open the question of how long the present generation of nuclear plants may be allowed to operate, thus giving Germany's electricity generators a chance to plan the gradual abandonment of nuclear energy. It also set no timescale for the switch from reprocessing to direct disposal, for which there are no sites cur-

rently available in Germany. The SPD decision was announced yesterday after an extended meeting of the party's national executive rejected a compromise plan put forward by Mr Gerhard Schröder, the prime minister of the state of Lower Saxony.

The plan would have allowed a continuing "nuclear option" by sanctioning the construction of a prototype extra-safe contain the risks of any future nuclear accident within the plant. Instead, the party leaders insisted on their existing policy of completely abandoning nuclear power.

The decision amounts to a severe blow to Germany's nuclear power plant manufacturers, led by Siemens KWU, but a compromise with which the two main electricity generators - RWE and Veba - can live. The third main power generator, the Munich-based Bayernwerk, is heavily committed to nuclear energy, and therefore strongly opposed to any non-nuclear option.

Without a cross-party compromise on energy, the power

nuclear reactor, designed to generators say they have no clear framework for their long-term power station planning. Government officials warned yesterday that the SPD decision now calls that energy

consensus into doubt. Mr Klaus Töpfer, the envi ronment minister, who negotiated the compromise with Mr Schröder, expressed his regret at the SPD decision. "I cannot see how, under these circumstances, a energy consensus can still be achieved," he said. Negotiations scheduled for tonight will still go ahead, he said. "Failure of the talks would be a bitter setback for Germany's economic base, for which the SPD would be



Georgian troops enter the town of Abasha yesterday, repulsing the forces of ousted President Zviad Gamsakhurdia from much of western Georgia

Mitsotakis quits as party chief

By Kerin Hope in Athens

MR Constantine Mitsotakis. the Greek prime minister defeated by the socialists in this month's general election, resigned yesterday as leader of the conservative New Democ-

racy party. Mr Mitsotakis, 75, is the first

of Greece's veteran political leaders collectively dubbed the "dinosaurs" to make way for a younger successor.

Four former cabinet ministers have declared themselves candidates for the leadership. Mr Mitsotakis announced he would step down two weeks ago, when Mr Andreas Papan-

dreou's Panhellanic Socialist Movement won the election by a larger margin than had been expected.

Frontrunner in the leadership contest is Mr Miltiades Evert, 54, who has opposed the conservatives' privatisation policy. The new party leader will be elected next week.

Russia ploughs a new furrow down on farm

By Gillian Tett, recently in Nizhny Novogorod, Russia

MR YEVGENY Mikheyev, director of the Niva farm near Nizhny Novogorod, flung open the door of a cowshed and declared: "We need reform to make this farm work! We have to get rid of the layabouts and the drunks!" It is a sentiment that could prove important, not just around Nizhny Novogorod, but across Russia.

Yesterday in Moscow, Mr Yegor Gaidar, first deputy prime minister, together with the International Finance Corporation, the World Bank's private sector arm, unveiled an agricultural reform programme designed to break up Russia's vast state system.

And as Niva is one of six farms to pilot the scheme, the fate of its reforms is likely to be a crucial test, as Russia tackles the sector of its economy most resistant to change. Mr Gaidar said a policy to redistribute agricultural land should be introduced across Russia, supported by a decree - expected to be signed this week by President Boris Yelt-

revoking an effective ban on the sale of land, paving the way for mortgages, leasing and trading. The moratorium on sales or leases has been a key factor blocking real change.

The Russian government has introduced some reforms in the past two years, creating a new class of "private" farmers, and forcing the state farms to register as independent "companies", but the impact has been limited. Private farmers still control less than 4 per cent of registered farm land and the "reorganisation" of the state farms, which control more than 90 per cent of land, has largely been theoretical.

But though the need for market reforms is clear, the strong collective traditions of the Russian farmers have left the reformers facing a serious logistical problem: how do you break up huge farms in a man-ner that seems equitable, without creating unworkably small plots of land? The solution that the IFC and Nizhny Novogorod leaders proposed to the villagers in Niva last weekend is based around two key concepts.

The first is a land and property certificate, an elegant piece of paper awarding each member of the farm a share of the land and property. Although the land is divided equally the property shares are graded by job and age.

The second key concept is an "auction", which determines which farmers get which pieces of land. Although the IFC hopes that in most cases this will be decided by mutual agreement. competing demands will be decided by an auction, using the property certificates to "bid" for dis-puted pieces of land.

Mr Viktor Khlystun, agricul-ture minister, stressed yesterday that there would be some limits on the sales. Outsiders and by implication, foreigners would not be allowed to buy land at the expense of local villagers, since "it would be wrong for a citizen to acquire land to hire labour", he said.

The type of farm which will emerge from this scheme is deliberately left unclear. The crucial aspect is that the scheme allows farmers to trade, sell or lease their certificates. Thus they can farm alone, join together in a collec-tive, or even "sell" their land to a individual in the village.

As Mr Boris Nemtsov. reformist governor of Nizhny Novogorod, explains: "The essence of this is choice." Whether the villagers themselves want it is unclear. At the meeting in Niva to hand out certificates, opinions varied sharply. Although Mr Mikheyev is enthusiastic and some villagers are vowing to go it alone, others angrily supported the old system; many more seemed simply confused.

Ultimately, the scheme's success will depend on how many other farm directors like Mr Mikheyev can be found, and how far they can persuade the rest of the farmers to follow

party to mount challenge

MR ARKADY VOLSKY, head of Russia's Union of Industri. alists and Entrepreneura announced yesterday he washi head a revived "centrist" allance in the country's parity. mentary elections.

The party, to be called Civic Union for Stability, Justice and Progress, represents a powerful new force to chai. lenge the main government. sponsored alliance, Russia's

It is promising both to promote free enterprise and to increase the "manageability" of the state-owned economy.

Other candidates on the par-ty's electoral list include leading industrialists such as Mr Nikolai Bekh, head of Kamar, the country's biggest truck manufacturer.

According to the party's programme released yesterday, Russia's problems stem not from enemies within, but from "stupidity, incompetence and dishonesty" at the top,

For this reason, Mr Volsky said, it could co-operate with forces as varied as the Agrarian party, which represents the state farm lobby, and Mr Grigory Yevlinsky, the prominent economist, who wants more effective economic reform and a strong federal

He suggested that his group might even endorse Mr Viktor Chernomyrdin, the prime minister, who was being shunned by radicals in Russia's Choice.

for Gatt

encession

Meanwhile, in a further attempt to distance himself 🖠 from the cabinet, Mr Sergel Shakhrai, deputy prime minis-ter and head of the Russian Unity and Accord party, said yesterday he was giving up his government salary. He also attacked the government's privatisation programme.

Mr Volsky's new party title, replacing the shorter Civic Union, is an attempt to shake off previous associations with disgraced former vice-president, Mr Alexander Rutskoi, one of the leaders of the recent parliamentary rebellion.

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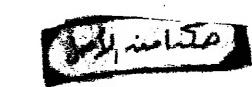
legislation, but they go much further. The paints Mercedes use, for example, are largely water, not solvent-based. There's widespread use of recycled materials in the production process. And none of the foams or refrigerants used to make a Mercedes contain ozonedamaging CFC's.



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NEWS: WORLD TRADE

Tokyo's proposals will not necessarily clear way into public procurement market

Uphill task to win building orders

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THE Japanese government's proposals to open up the con-struction market to foreign companies may appease US government officials and help to avert sanctions. But it is likely to take more than the formal blessings of Japanese officials for foreign companies. officials for foreign companies to win a greater share of Japan's public procurement

construction market. wants to participate in the market they will benefit from the new proposals " and the same and t the new proposals," says Mr Akira Rokuhara, executive director of the Research Institute of Construction and Econ-

omy, a private institute. He believes they will be able to win contracts in these areas.

or forming a joint vanture with one, providing foreign companies with access to a skilled For a foreign construction company keen to do business as a general contractor in Japan, recruiting the large numbers of experts they would need to undertake general contracting work is no easy task.

Such experts are only available at the established Japanese construction companies and without such a skilled companies are likely to find it extremely difficult to carry out general contracting work. Meanwhile, the options of

workforce, are also limited, says Mr Peter Hedges, chief representative of Trafalgar House Corporate Development

There is a natural inertia and unwillingness to change; unless these companies are being pushed hard by price and political pressure," they are generally unwilling to enter joint ventures meaningful for the foreign partner, he

If the experience of foreign companies in other Japanese markets are any guida, it will

reputation for reliability which, in Japan, often counts for more than price competi-tiveness in winning business. "Since we use taxpayers"

money we must be sure the company is reliable," an offi-cial at the Ministry of Construction explains, in defend-ing the Japanese system of awarding contracts to designated bidders. If bids are opened to any company, the danger exists that the work will be of bad quality. There is a trade-off between transpar-ency and reliability." Mr Rokuhara points out that

"In construction it is not possi-

products, as it is in electronics. So a lot depends on whether or not a company is reliable."

But while the government's new guidelines call for "objective, transparent and publicly stated criteria" in detarmining a company's reliability, in Japan reliability is more often judged by local reputation than objective standards.

US computer companies, for

US computer companies, for example, in spite of pre-emi-nence in world markets, face an uphill struggle in the Japanese public procurement market. Japan's construction mar-ket, like many others the target of US criticism, is built

Anheuser-Busch, the US producer of Budweiser, bought 5 June, while Carisberg of Den-mark is operating a local pro-duction line. Suntory, another Japanese beverage maker, invested in a joint venture in

Lianyungang in 1984. China produces an annual 15m kilolitres of beer, and is the world's third largest beer market following the US and

Another

brewer to

By Emike Terazono in Tokyo

KIRIN Brewery, Japan's

largest beer maker, is planning to form a beer production joint venture in China with a Chi-nese beer-maker based in Dal-

ian and a Hong Kong trading

company.

The move follows a rush of

leading foreign beer companies into China's beer market.

join China

Germany. Kirin said it was still negotisting with Dalian Bohai Brewery and Van Yu Trading of Hong Kong, but it planned to invest \$27m in beer lines with production capacity of up to 0,000 kilolitres.

Kirin will also provide qual-

US demands could hurt beer rush rival exporters

THE US is pressing Japan to make firm commitments to boost imports of US goods, potentially discriminating against European and other

exporters to Japan.
The US request, in the form
of a written proposal, was given to the Japanese govern-ment last week in bilateral trade talks. It calls for the agreement between the two countries of what amounts to targets in increasing purchases

of US cars and car parts.
The nature of the propose calls into question persistent US claims that it is neither setting targets, nor pressing US interests at the expense of other countries, as it seeks to prise open Japan's market.

The proposals made by each side in the talks have not been revealed publicly. The US has indicated that it was only trying to pursuade Japan to bring the level of its market openness to the standard of other G7 countries.

ductor arrangement which forced Japan to meet the mar-ket share for foreign semiconductor manufacturers targetted by the agreement.

Furthermore, while the US also calls for agreeing effective targets for the saie of non-Japanese motor vehicles and vehicle parts, by attempting to set a separate target for US and non-US products, the US proposal as it stands in effect puts pressure on Japanese companies to purchase US products rather than those of other non-Japanese motor parts makers, including Euro-

pean companies. The distinction between non-Japanese motor and motor parts makers in the US proposal also discriminates against sales by foreign car makers with Japanese capital. This would include Rover, the UK company in which Honds has a stake, as well as Japanese transplants in the UK. Japan has repeatedly opposed targets for foreign product sales on the grounds

South Africa and Japan in business deals

cording to the party and a problems start and a problems start and a problems start and a problems are a problems a problems. TWO business deals were unveiled yesterday between South Africa and Japan, indicating closer ties between the two in a post-sanctions envi-

> A joint venture was unveiled between two of the world's leading ferrochrome producers, Samancor and Nippon Denko -

the first large investment by a Japanese company since the lifting of sanctions - while the fuel and chemicals group Sasol and Mitsul have formed a marketing and distribution alliance for the handling of Sasol Chemical's bexene and pentene in Japan and South Korea. Sasol will supplement the

current hexene production to meet the growing demand in these markets and Mitsul will

product and other speciality chemical products in Japan and Kores. Samancor and Nippon

Ferrochrome, that produces charge chrome for the Japa-Pentene is to be supplied by nese market at a 60,000 tome Sasol for production of polyethper annum furnace located ylane plastics. Mitani will work within Samancor's Tubatse with a Japanese supplier on developing a market for this the Tubatae infrastructure, and chrome from Samancor's nearby mine, under a long-term agreement.

Samancor executives said

plant was a measure of their commitment to the new deal. Mr Karnzo Kobayashi, president of Nippon Denko, said collaboration with Samancor, who had the world's largest mineral and production resources in its field would ensure a stable and competitive supply of Ferrochrome to Nippon Sta

However, while the US pro-

Europe to Calls for press US early end for Gatt to trade

By David Gardner

THE European Community yesterday warned the US that it must improve its offer on market access if there is to be any chance of meeting the December 15 deadline for resolving the Uruguay Round

talks on world trade reform. Sir Leon Brittan, EC chief . trade negotiator, after briefing EC foreign ministers on the talks, said the deadline was within our reach, but not yet

within our grasp". - ... Sir Leon will give a written thras account of the talks when EC deal. foreign ministers meet in Brussels on November 8 - a meeting at which France and its allies are expected to press their misglyings about the Uruguay Round. The ministers had shown "overwhelming support for the view that the American response on market access. . . was inadequate," he

At July's Tokyo summit of the Group of Seven industrial nations, the Quad group - the US, Japan, Canada and the EC agreed to cut "peak tariffs" of over 15 per cent by half. The RC has lodged an "illustrative offer" along these lines at the Geneva talks, and is challenging the US and Japan to respond to what we are

doing," as Sir Leon put it. The commissioner said that the EC had 101 peak tariffs covering Ecul.1bn (£855m) in imports, whereas the US had 683 covering Ecu17.3bn, and Japan 495 covering Ecu2.7bn.
"It is of course the high tariffs which are the real obstacle" on

On the Blair House farm trade agreement between the EC and the US, to which the EC, driven by French threats to scupper the Uroguay Round, is seeking additions, Sir Leon declared: "It is not for the French to move on Blair House; the ball is in the Ameri-

He implied that the US refusal to discuss Blair House or farm trade was linked to Washington's current absorption in getting the North Ame ican Free Trade Agreement with Canada and Mexico through Congress on Novem-

Sir Leon nevertheless signalled further progress on talks with the US for a special regime for audio-visual, cinema and broadcasting trade to protect European cultural interests, and said other negotiations with the US were con-

SUPPORT for a swift and successful conclusion to the Uruguay Round of trade liberalisation talks came yesterday from consumer organisations and the Czech Republic, amid rising anxiety in Geneva over slippage in the negotiating timetable.

meeting of the top-level Trade Negotiations Committee for November 1, where he is likely to urge renewed efforts to thrash out a tariff-cutting

This month's fallure by the means a comprehensive mar-ket access package for all 116

But Mr Sutherland is still

land yesterday, said a success ful Urugusy Round con

needed for future growth.

Poland, Hungary and Slovakia shared this view, he added. The casualties of a Uruguay Round failure would be, in the short fermi trade, in the medium term, world economic growth, and long term, not properly and long term and long term and long terms.

concession talks By Frances Williams in Geneva

Mr Peter Sutherland, Gatt director-general, has called a

US, EC, Japan and Canada to agree on lower trade barriers for farm and industrial goods participants cannot be comleted by November 15 as had

pressing for most of the package to be settled by then, minimising the number of unreend-game" in the final month before the Round's December 15 desdline.

The International Organisation of Consumers Unions yes terday told Mr Sutherland that while the package on the table was not perfect, it promised a big improvement, and was "incomparably better" than the chaos that would follow a breakdown in the talks.

IOCU, which represents 180 er organisations in 70 countries, urged Round negotiators to ignore the calls of protectionists and put the interests of consumers first. Mr James Firebrace, IOCU direcral, said all consumers tor-general, said all consumers suffered because of protection

minister of the Czech Repub-lic, who also saw Mr Sutherfal to combat protectionist pressures and pro-vide the increased access to foreign markets his country

growth, and long term, per-haps global political stability. If strong regionalism and pretectionist barriers were allowed to flourish, "you could end up with a war, after a decade, in different paris of

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new products have to be proven before being sold and where we always strive for an added value, even in difficult commodity markets.

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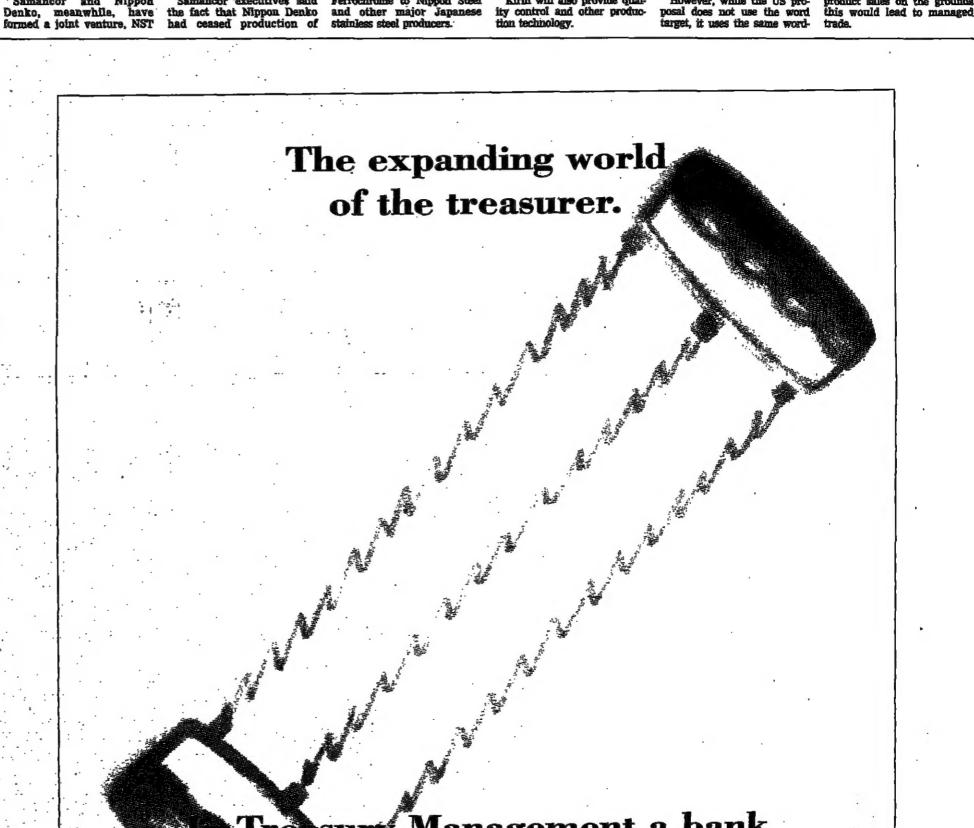
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Tradition of give and take is swept away

NLY a full-blooded revolution could have matched the upheaval in Canadian politics caused by the general election on Mon-

Canada's diverse cultures and regions have until now accommodated themselves within two or three national parties. The Liberals, the Progressive Conservatives and most recently the New Democrats have deep differences on economic and social policies. But they have shared a commitment to a united and stable country where each linguistic group and region gives a little and gets a little.

Bernard Simon on a virtual revolution in Canadian politics

That tradition will be severely tested in the new parliament. Only the Liberals, who swept to victory on Mon-day with 178 out of 295 seats, remain as a force dedicated to keeping the country in one piece through compromise rather than confrontation.

The Conservatives and the New Democrats suffered such devastating setbacks that they have lost their status as official parties, losing some of their parliamentary privileges.

Despite winning about oneseventh of the popular vote, the Tories' presence in the House of Commons has been slashed from 157 to two. The left-leaning NDP's representation has shrunk from 44 to 8. In their place will be two unashamedly regional groups:



Liberal party leader Jean Chrétien is mobbed by party supporters yesterday

form the official opposition, and the Reform party, the right-of-centre group based in western Canada

The Bloc's leader, Mr Lucien Bouchard, has given notice that he will use its substantial representation in Ottawa to further the cause of Quebec independence. In particular, the Bloc is likely to try to build support for its provincial wing, the Parti Québécois, which faces a provincial election he wants to keep Canada in

towards the end of next year. The separatists have promised to hold an independence referendum within a year, if the PQ comes to office.

The 53 Reform party MPs, almost all of them from Alberta and British Columbia, could be among Mr Bouchard's most effective weapons in his struggle for independence. While Reform leader Mr Preston Manning insists that

as the other nine provinces are totally unacceptable to Reform also opposes official

bilingualism. Whatever the party's official position, many of its supporters would shed no tears if Quebec went its own

one piece, his conditions for

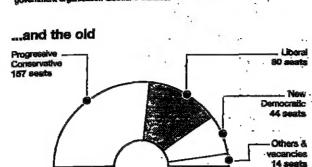
"renewing the federation" - in

particular his insistence that

Quebec be given exactly the

same constitutional treatment

The Liberals sweep to power Results' 295 seats The new parliamentary alignment... S seaks Reform Unofficial final results compliad by the news media from returns consensuant organisation Sections Cartada. ...and the old



Containing these centrifugal forces will be one of the biggest challenges facing the new Liberal government under Mr Jean Chrétien. However, few Canadian politicians are better suited to the task. Mr Chrétien, aged 59, is a Québécois but believes passionately in a

united Canada. He is a veteran of almost every constitutional debate of the past three decades. Having entered parliament for the first

time 30 years ago, Mr Chrétien held almost every major portfolio under former prime minister Pierre Trudeau.

Mr Chrétien has been widely reviled in Quebec in recent years for, among other things, opposing the 1987 Meech Lake accord, which would have given the province significant extra powers. But his ability to make a comeback was demonstrated by his unexpectedly

home constituency of Saint-Maurice in the eastern part of the province.

There were other crumbs of consolation for federalists from the election result. One was that the Liberal landslide stretched across the country. The Liberals won seats in all 10 provinces, and Mr Chrétien's cabinet is likely to

reflect that diversity. Furthermore, one of the two Conservatives to retain their seats was Mr Jean Charest, the youthful deputy prime minister who was beaten by Ms Kim Campbell last June for the party leadership.

Mr Charest is a bilingual and personable Québécois who demonstrated during the leadership campaign that he also has a substantial following outside the province. It would be surprising if he did not play a leading role in the coming constitutional wrangle.

Reform and BQ will be sending a large contingent of neophyte MPs to Ottawa. Reform's unity, in particular, will be tested by the contrast between Mr Manning's autocratic style, and the party platform's promise of looser parliamentary discipline and greater accountability by MPs to their

However, the two parties have yet to prove that they are more than short-lived wonders likely to end up as fractious protest groups. Both owe much of their support to voters' deep-rooted desire for change after the tough years of Tory rule, rather than loyalty to their respective platforms. Their support may drift away

Quebec Balk headed 1511 Sulf owards reedom' (all all bert Gibbens in the control of the control

By Robert Gibbens in Montrea

MR Lucien Bouchard, leader of the separatist Bloc Québécois was in no doubt as to the import of his party's strong showing in Monday's poli. This election is a pivotal point in the process towards sovereignty. Independence is the only remaining option after Canadians twice failed to amend the constitution to accommodate Quebec national-

ism." he said. The new parliament would reflect the real nature of Canada. "There are two countries and There are two countries in Canada. Starting today these two countries must begin talking together more

frankly right in parliament." A former member of Conser vative Prime Minister Brian Mulroney's cabinet, Mr Bouchard walked out in 1990 over the Meech Lake constitutional accord, on the grounds that Quebec did not get enough out of the plan.

In the three years since he has built the BQ into the most popular party in the province and the legitimate voice in parliament of most of its French-speaking majority.

Yet despite the BQ's impressive sweep of 54 of the province's 75 seats, federalists in Quebec have far from given up the fight, Mr Bernard Roy, former chief of Cabinet for Pre-mier Brian Mulroney and head of the Montreal Chamber of Commerce, said: "English Canada will never tolerate a separatist party in the Commons forming the official Opposition." How can the Bloc represent all Canada? The Bloc got two-thirds of the Quebec seats with only half the vote. We've

see primarily a protest vote." Mr Bouchard was careful to preserve a conciliatory tone when he addressed party workers in his campaign headquarters in Alma, Quebec. We're not out to destroy federal institutions and Canada, but to win a better deal for Quebec," he said in English.

Liberal party softens its approach to freer trade

CANADA'S Liberal party has substantially softened its stand on North American free trade since the last general election in 1988. During that election, which they lost, the Liberals made abrogation of the US-Canada free trade pact a key plank of their policy platform.

By this year's campaign, however, the Liberals had pledged only to seek renegotiation of some elements of the 1989 accord, the FTA, and the

North American Free Trade Agreement, which includes Mexico. "Abrogating trade agreements should only be a last resort if satisfactory changes cannot be negotiated," the

Liberals' campaign platform said. Nafta is due to come into force on January 1 1994. Diplomats and political observers predict that, with a little help from President Bill Clinton, the US Congress and the Uruguay Round of multilateral trade talks, the Liberals will eventually sign on to Nafta in time to meet the

Progressive Conservative government pushed Nafta enabling legislation through Parliament last sum

mer. Only formal promulgation is

required to put it into law. The Liberals pledged in the campaign to seek four specific "improvements" to the FTA and Nafta: a subsidies code, an anti-dumping code, a more effective dispute settlement

mechanism, and the same protection for Canadian energy producers as is envisaged for Mexico.

Some Liberal concerns would be addressed if the Uruguay Round is successfully wrapped up this year. The previous Conservative government tried but failed to negotiate a subsidies package in the 1989 FTA. Anti-Naîta pressure on Mr Chrétien would also be eased if the US Congress ratifies Nafta. Votes are scheduled in the Senate and the House of Representatives next month.

that Ottawa and Washington will find a face-saving formula which will enable Mr Chretien to point out that his concerns are being met, and allow him to proceed with implementation of Nafta. A visit to Washington will be among the new prime

minister's early priorities. President Clinton said yesterday he did not expect the election to have an impact on Nafta.

The results of the election should also make it easier for Mr Chrétien

leaning New Democratic Party, the only parliamentary group unambiguously opposed to Nafta, ended up with only eight seats in the House of Commons. The two regional parties, the Bioc Québécois and the Reform party, which will form the bulk of the opposition, generally favour the

free trade agreements. Even within the Liberal party itself, support for free trade is more vocal and opposition more muted than it was five years ago.



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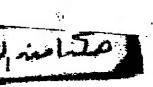
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THE Bank of Canada intervened to support the Canadian dollar yesterday as it fell sharply following the results of the general election and worries about a resurgence of separatism.

The central bank was seen selling US dollars and buying a volatile Canadian currency as the latter initially fell more than 2 cents against its US counterpart to hit a low of C\$1.326.

MARKET REACTION

The Canadian dollar had weakened on electoral uncer-tainty but picked up just before the result on the belief that a strong Liberal govern-ment was better than a weak conservative one

The Canadian currency steadied later to close in London at C\$1.32 to the US dollar. In contrast Toronto equities remained generally unmoved, with the TSE composite index up 8.15 at 4,163.41 by midday.

On Wall Street, economists were surprised by the extent of the Conservative defeat. "The joka around here is that it was the greatest defeat of any standing government in the post-Babylonian era," said Mr. Bruce Kasman, senior international economist with Morgan Stanley in New York.

This wasn't just a defeat for the Conservatives," said disappearance." But opinions differed on the impact of the Liberal victory on Canadian financial markets, mainly because of uncertainty about the new Liberal government's

economy policy.
Mr William Sterling, interna tional economist with Merrill Lynch, said that if Liberal leader Mr Jean Chrétien "goes for growth" with some form of fiscal stimulus, Canadian bond and currency markets could suffer because of the implications such a policy would have for the C\$35.5bn federal deficit.

Economists say a lot depends on whether ratings agencies downgrade Canadian government debt at the first sign of an expansionary fiscal policy. "The view in the markets is that the rating agencies are going to have quite a bit of influence on how much latitude the incoming government

has," said Mr Sterling. As for US investors' view of Canadian markets, Mr Kasman said: "Investors here like the high yields relative to the US. but there is concern about the role of the Bloc Québécois in parliament, and concern about regional framgmentation of the

Canadian political scene." Mr Kasman believes the main risk in terms of financial markets is a declining Canadian dollar. "Investors know the Bank of Canada is already in the mode of trying to ease interest rates, and is willing to

accept the price." That price is a further depre-ciation in the Canadian dollar.



Kim Campbell yesterday: absolutely nothing to smile about

Prospects rise for steady growth

There have been productivity improvements, writes Bernard Simon

inherits a domestic economy in vastly better shape than the one it left when it was last in

office in the early 1980s. After more than two years of severe recession, a gradual economic recovery has begun. The Conference Board of Canada recently predicted GDP will rise by 2.4 per cent in real terms this year, accelerating to 3 per cent growth in 1994 and 3.5 per cent in 1995.

Inflation is below 2 per cent. well ahead of the targets set by the outgoing Progressive Conservative government two years ago. Meanwhile interest rates have tumbled to their lowest levels in two decades. While the recession and free

trade with the US have brought pain to many

CANADA'S Liberal party workers, they have also Mexico, tax reform and moneencouraged significant

improvements in productivity.

Mr William Macdonald, in the election campaign to contain or cut the federal gov-ernment's C\$35.5bn (£17.4bn) Toronto lawyer and economic consultant, says Canada is 4-5 budget deficit. years into a 12-year restruct-

THE ECONOMY

uring which, if successful, could give it one of the best combinations in the industrial world of mutually reinforcing monetary, fiscal, exchange rate and trade policies.

The Business Council on National Issues, which repre-sents 150 chief executives of the country's biggest companies, said yesterday that its judgment of the Liberals would depend on their handling of four issues: government spend-ing, free trade with the US and

tary policy.
All major parties promised

The Liberals said they would

bring the deficit down to 3 per of GDP, from its present level of 5.2 per cent. However economists are nervous that with two regional parties on opposition benches and the threat of Quebec secession, the Liberals will be hard-pressed to resist demands to loosen the purse-strings.

One of the most crucial decisions facing the new government is whether to reappoint Mr John Crow, Bank of Canada governor, to a second sevenyear term. Mr Crow's first term

Mr Jean Chrétien, Liberal leader, suggested before the campaign began that Mr Crow, whom many Canadians blame for the recent tough times, would have to go, but party officials have showed an appraciation recently of Mr Crow's value in bolstering foreign investor confidence.

The Liberals are more prag matic and business-oriented than they were under Mr Pierre Trudeau in the 1970s and early 80s. But the party also still contains an interventionist and nationalist wing.

The degree to which the new government will be willing to accommodate business's - and especially foreign investors' preferences in economic policy will become clear when it tables its first budget and

NEWS: THE AMERICAS

Clinton seeks \$10bn in cuts

By Jurek Martin in Washington

PRESIDENT Bill Clinton sent to Congress yesterday an addi-tional \$10hn in spending cuts over the next five years and unveiled a simplified government procurement programme that officials said could save as much as \$22.5bn over the same

Both proposals and their claimed economies are likely to meet stiff challenges in Congress. A bipartisan group under Congressman Tim Penny, the Minnesota Democrat, is pressing for an extra \$100bn spending cuts, while Mr Leon Panetta, budget director, conceded congressional experts chasing rules might yield only \$3bn-\$5bn.

Under the Clinton proposal \$1.5bn would be saved by cutting existing programmes, such as ending federal subsi-dies for wool, mohair and honey production. The rest would come from assorted savings across government, most notably in the Department of Agriculture, brought about under the auspices of the National Performance Review directed by Vice-President Al

The first part of yesterday's package is incomplete, officials said, because Congress has yet

to finalise four appropriations bills for the current fiscal year, which began this month. Further cuts of \$1bn-\$2bn will be sent to Congress when the bills

have passed.

Mr Clinton sounded defensive on the size of the spending cuts, saying: "If they aren't passed, I'll come back with more." But he waxed more eloquent on efficiency savings, claiming they could free funds for greater law and narcotics

He signed an executive order under which federal agencies will begin accepting contract bids by computer, with the ultimate goal that this will apply to all the estimated 20m contracts worth a total \$200br the government signs each vear. It is also intended that all federal salary and pension payments be made by electronic

Changed purchasing rules would also increase to \$100,000 from \$25,000 the size of contracts that can awarded without extensive auditing proce-dures. This, the president claimed, would open up many opportunities to small busi-

But the main target was simplifying defence procurement, with the aim of obliging the shelf at best prices.

EC joins US in push on services

By George Graham

THE European Community is to join the US push to make Asian and Latin American countries open their financial services markets more widely as the Uruguay Round of trade liberalisation talks comes to a climax.

Mr Lawrence Summers, the US Treasury undersecretary in charge of international affairs, said yesterday the EC had agreed to follow the US example by sending high-level offi-cials to several amerging markets in an effort to "help unblock the Geneva logiam."

Mr Summers said the Clinton administration's decision

to back legislation authorising restrictions on the expansion of banks and financial service companies from countries which do not allow equal access to US businesses would serve as a lever to secure additional concessions in the sector before the conclusion of the Uruguay round.

The offers from many of the participants in the negotiations are simply not good enough,"

Hopes fade for UK-Italian helicopter purchase Westland Group and Agusta of essentially defence aircraft

By Daniel Green

HOPES were fading yesterday in the UK and Canadian aerospace industries over the fate of a C\$5.8bn (£2.85bn) Canadian order for helicopters from a UK-Italian consortium. Mr Jean Chrétien, the leader

of the triumphant Liberal

party, promised during his the EH101, said yesterday that However, a cut to 42 in total campaign that an incoming Liberal government's first acts would include cancelling the order for the EH-101 helicopters, which was placed in October 1992 by the outgoing Pro-Conservative gressive

Westland, the UK partner in search and rescue variants. joint venture between the UK's that such a large order for

it would "wait and see" how Mr Chretien acted. But it is clearly bracing itself for the loss of the order, which would cut £400m off its £1.9bm order

The original order was for 35 see patrol helicopters and 15 helicopter are EH Industries, a

was mooted as part of the government's budget reduction programme.

The main contractors for the

RH Industries would have supplied the basic sircraft,

Unisys of the US.

while on-board systems would be provided by Paramax. Opponents of the deal argue

used, for example, in subma-rine hunting, was inappropri-Italy, and Paramax, a Canadian company controlled by ate to a post-cold war de The deal's supporters argue that the Canadian forces

urgently need to replace their ageing fleet of Sea King and Labrador helicopters.

WHERE TO WATCH THE FT THIS WEEK

MONDAY

05:30 FT Reports •

06:30 European Business Today†

07:45 European Business Today†

12:30 West of Moscow†

22:30 European Business Today†

TUESDAY

06:30 European Business Today†

07:45 European Business Today†

07:45 FT Reports*

13:15 FT Reports*

15:45 FT Reports*

18:45 FT Reports*

22:30 European Business Today†

18:45 FT Reports*

WEDNESDAY

06:30 European Business Today†

07:45 European Business Today†

21:30 FT Reports† Losses in Space. Who will burn out in the overcrowded satellite launch business?

22:50 European Business Today†

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07:45 European Business Today†

18:45 FT Reports*

22:30 European Business Today†

FRIDAY

06:30 European Business Today†

07:45 European Business Today†

22:30 European Business Today†

SATURDAY

08:30 FT Reports†

SUNDAY

03:30 West of Mescow ● China.... opportunity or morass? How can western companies ride the last dragon?

05:30 FT Reports

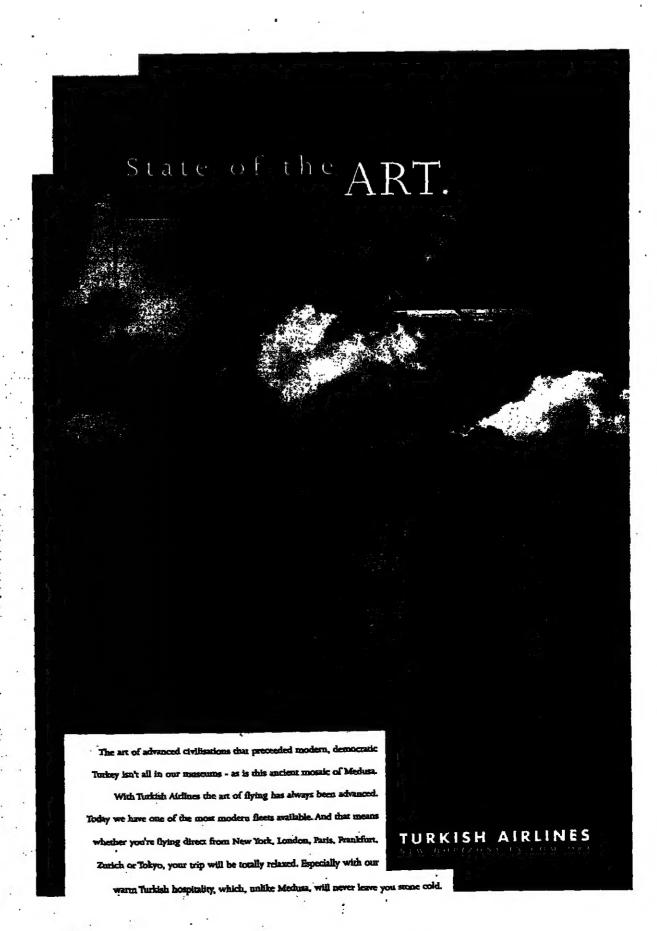
22:30 West of Moscow †

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The pertinent fears of 'apartheid's children'

Philip Gawith on how a conservative alliance has highlighted the key issue facing South Africa's constitution writers

T WAS no roll call of honour. Indeed, some commentators called it an unholy alliance of apartheid's children, the five leaders of South Africa's new conservative Freedom Alliance facing the press together for the first time.

They posed for their team photo earlier this month in a nondescript Pretoria hotel, in front the three black leaders, chief minister Mangosuthu Buthelezi of Kwazulu, Brigadier Oupa Gqozo of the Ciskei, President Lucas Mangope of Bophu-thatswana, and behind them the two Afrikaner leaders, Mr Ferdie Hartzenberg, leader of the Conservative Party, and General Constand Viljoen of the Afrikaner Volksfront Many wrote it off disparagingly as stricken at birth by internally contradictory

When, however, only a few days after the alliance's formation, President F W de Klerk told the Cape congress of the National party that a referendum might be necessary to break an impending constitutional impasse, this strange union began to appear in a different light.

Taken together the two events have brought into focus the key constitutional conundrum facing South Africa: how to reconcile the power of the majority with the fears of minor-

This issue has always been at the heart of the constitutional debate. What is now clearer than ever is that, despite nearly two years of negotiations, it remains fundamentally unresolved.

The most obvious symptom of this is the alliance itself, representing a considerable body of conservative opinion, which stands outside and wholly opposed to the Multi-Party Negotiating Forum (MPNF) where the country's constitutional talks

As President de Klerk said, the negotiating process has become bogged down and needs to be revived. "It cannot continue like this. Our

By Leslle Crawford in Nairobi

JAPAN yesterday became the

first donor government to



Viljoen and Hartzenberg with, left to right, Mangope, Goozo and Buthelezi: they may command as much support as the National party

country cannot afford that negotia-

suspended balance of pay-

ments support in November

1991, citing President Daniel

arap Moi government's poor

The problem with the latter course is that it would require a referendum, in which the MPNF obtained commanding public support, to legi-

The ANC, after initially making supportive noises, has said it does not support a referendum, apparently believing that for the ANC and Mr de Klerk's NP to be seen supporting the same issue would be to lend the NP undeserved credibility in the run-up to elections.

How to keep negotiations moving, preferably with, but possibly with-out, the alliance is sure to be the

are currently in Nairobi assess

ing the government's commit-

ment to reform. But negotia-

tions on a medium-term

Japan takes the lead in resumption of aid to Kenya

main subject of discussion at the two-day retreat where government and ANC negotiators are currently locked away.

To date the government has laid more stress on trying to accommodate the alliance, while the ANC has been uncompromising in its commitment to honouring existing time-tables, in terms of which all out-standing constitutional issues must be resolved by November 5. Mr Cyril Ramaphosa, ANC secretary general, said on Monday that if the Freedom Alliance was not on board by then, the boat would leave without them.

Those commentators who believe the current draft constitution is still far from federal, and who take the disruptive potential of the alliance more seriously, take a more concilia-

Among them is Professor Lawrence Schlemmer of the Human Sciences Research Council and South Africa's pre-eminent pollster. He says the Freedom Alliance probably now enjoys about the same level of support as the NP, giving it a claim as the country's second-largest politi-ical grouping after the ANC.

Recent polling data suggests the ANC would win 50-67 per cent of a popular vote, while the NP is in the

12-17 per cent range. Prof Schlemmer believes the Free dom Alliance needs to be taken seriously because its decision to negotiate as a single bloc gives it considerable leverage compared with when most or all of its constituents were negotiating on an individual basis and were susceptible to being played off against each other.

He says it is a much more formidable grouping than in its earlier incarnations when it was little more than a loose assortment of parties that had something to lose. Now, argues Professor Schlemmer, South Africa has seen the emergence of a "minority-based political position".

He disagrees with those who say the alliance is an artificial construct. "It has a very, very coherent posi-tion. It is the minority rights posi-

There are many who caution against premature efforts to bludgeon the alliance into line through a referendum. The newspaper Business Day argued recently: "A referendum majority, however large, will not shield the winners from the vioience that an exclusive settlement will bring."

The same, of course, applies for efforts to proceed without the Alliance. There is considerable support for the view that the current draft constitution is not adequately federal in its nature. Professor Mervyn Frost of Natal University argues that the various pretexts - minimum standards, maintenance of economic unity, unreasonableness - whereby the central state can interfere in the affairs of a region are inimical to federalism

Political analysts are having increasingly to resort to the poker analogy with the ANC and Freedom Alliance seemingly determined to go right down to the wire before revealing whether they are prepared to make any compromises.

Burundi

appears

to falter

By Lestie Crawford in Nairobi

A MILITARY coup in Burundi appeared to be faltering yester-

day after army generals asked the prime minister to come out

cast on state radio, announced

an end to the dusk-to-dawn curiew. She said the borders

and international airport

Army generals on Monday asked her to form a new gov-

ernment, blaming the coup and

the assassination of President

Melchior Ndadaye on a bandful

of mutinous soldiers. Mr Nda-

daye, Burundi's first democratically elected leader, had assumed office only three

But Burundi diplomats

broad said they had reason to

believe that those who were

now disowning the coup had in

Their about turn could be a

trap," said Mr Joseph Bangur-

anbona, Burundi's ambassador

to Nairobi, "We have no guar-

antees that if civilian leaders

came out from hiding, the kill-

ings would not begin again."

Mr Banguranbona said the

coup had unleashed a wave of

ethnic killings in the country-side. The Hutus, Burundi's most numerous tribe, were

reported to be killing Tutsis in

revenge for the murder of President Ndadaye, who was a

Hutz. Tutsi soldiers were also

massacring Hutu villagers.

fact been its architects.

would re-open soon.

months earlier.

coup

ADB approves \$76.5m loan to Vietnam

NEWS IN BRIEF

THE Asian Development Bank yesterday approved a \$76.5m (250.6m) soft loan for Vietnam the ADB's first credit to that country since the end of the Vietnam war in 1975, writes Victor Mallet from Bangkok.

Slowi

econo

The ADB's announcement was the latest move by a multilateral institution to resume aid to Vietnam. The US decided in July to stop opposing international assistance for Hanoi, allowing the IMP, the World Bank and the ADB to finance the country's economic reform programme and help repair its infrastructure.

The ADB's first loan, interest-free and repayable over 40 years with a 10-year grace period, is to finance irrigation projects. The bank has granted a further \$1.8m for technical assistance to help develop water resources.

Thai workers urged to quit

The US has asked Thatland to withdraw some 200 migrant workers from two Libyan building projects because the sites are bunkers which could be used to make chemical weapons. US officials said yesterday, writes Victor Mallet.

They named three private Thai companies said to be involved in the design, construction and supply of skilled labour for two underground sites at Tarhuna. "We believe they are chemical weapons factories," said one US official.

Earlier this month. That police arrested Mr Viroi Sakulmutita, owner of a company called W&M in the northern town of Chiang Mai, accusing him of illegally sending Thai workers to Libya. Mr Viroj, who denied the charge, saying he was building bomb shelters, was released on bail.

Unesco aims at resources shift

of hiding and form a new civil-Unesco Director-General Federico Mayor yesterday announced plans to move the army's true intentions and the surviving members of the resources from staff to programmes. Reuter reports from N former government stayed in Paris. About \$120m of the proposed \$455m budget would go embassy in Bujumbura Speaking from the French to field units, raising their share of operational funds from 38.2 to 45 per cent, be told the organisation's general embassy. Ms Sylvie Kinigi, the prime minister, called on Burundi's military to return to conference. barracks. Her address, broad-

Basic education, Unesco's top priority, was to get nearly 39 per cent of the budget (\$1m more than in the previous twoyear period). Science would get 22.5 per cent, with culture winning 17.2 per cent, communication 11.2 per cent and social science 10.3 per cent.

Hijackers deny political link

Gunmen holding 28 hostages on a Nigeria Airways aircraft in Niger have denied any links with Nigerian politician Mosh-ood Abiola, Mr Abdoulaye Souley, Niger's transport minister, said yesterday, Reuter reports from Niamey.

First reports when the Airbus A310 was seized on Monday said the hijackers wanted Mr Abiola appointed president, four months after the cancellation of Nigerian elections he was set to win. But Mr Souley said the gunmen claimed Mr Abiola was as much a pillager of the Nigerian people as former military leader Ibrahim Babangida, who turned over power in August to a military-appointed civilian government.

attache at the Japanese resume financial assistance to Kenya, which is expected to economic programme, acceptrecord on human rights, politiprogramme, he said. Kenya following an internapresent its case for financial able to the Kenyan governcal freedom and economic misembassy, said the export devel-"This does not meen that we rehabilitation at a consultative are fully satisfied with Kenya's economic progress," the Japa-nese diplomat added. "Kenya ment and the IMF, are reportopment credit, co-financed with the World Bank, had been tional freeze on aid of almost Japan's decision will be seen group meeting of international edly bogged down on the issue The Japanese embassy in donors in Paris next month. of para-statal reform and corby Kenya as a reward for its negotiated before the 1991 aid Nairobi said the Y8.25bn ruption in the state sector. World Bank and Internastill has to tackle considerable freeze. The World Bank had gress with reforms but it (\$77.83m) loan was for export tional Monetary Fund teams The donor community has placed Japan. Kenya's largdisbursed its \$85m share of the

tions lose their momentum. There is

What recent events have made

clear is that there are only two real options. Either the government and the ANC, the dominant players at

the constitutional talks, are going to

have to make significant concessions

in this next few weeks on the issue

of a more federal system - which the

reedom Alliance has made a cen-

tral plank of its demands - to bring

the alliance back on board; or the

government and the ANC are going to press ahead without them.

development and balance of

The resumption of Japan

aid comes at a critical time for

payments support.

no question of turning around."

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Type of Business

Israel is urged to speed up release of Palestinians

By Our Middle East Staff

PALESTINIAN negotiators yesterday pressed Israel for a more rapid and extensive release of prisoners as the two sides resumed peace talks at the Egyptian resort of Taba.

est creditor, in an awkward

of the donor community.

position in relation to the rest

Mr Masaki Koito, economic

The negotiations centre on the transfer of limited powers to the Palestinians in the Gaza Strip and the West Bank town of Jericho and are due to be completed by mid December. The Palestinians, while wel-

coming this week's release of 617 prisoners, stressed that many more of the estimated 11,000 still held had to be freed in order to win greater popular support. They also insisted that prisoners from factions other than Fatah, headed by Mr Yassir Arafat, had to be

"We are not happy," Palestinian delegate Ziad Abu Ziad told reporters in Taba. "We are trying to make peace between Palestinians and Israelis—not between Israel and a faction of the Palestine Liberation Organisation. If peace has a broader base it will have wider sup-

Israel has so far refused to free prisoners belonging to radical Islamic groups, such as Hamas and Islamic Jihad.

Mr Yitzhak Rabin, Israel's prime minister, said in a radio interview yesterday that the agreement with the PLO pro-vided only for the release of a vided only for the release of a limited number of prisoners at this stage. How many more could be freed would depend on the progress being made in the peace negotiations and on the implementation of the declaration of principles signed in Washington on September 13.

Mr Rabin added that the peace process enjoyed widespread public support but it had to pass through certain dif-

loan earlier this year, and

Japan was doing so now

because Kenya had met all the

"technical conditions" of the

had to pass through certain difficult stages. One of those was the release of Palestinians. Meanwhile in Damascus one

of the radical Palestinian

groups opposed to the outline

peace agreement said it had agreed with Mr Arafat's Fatah movement to end clashes in the Gaza strip. The Popular Front for the

Liberation of Palestine led by Mr George Habash said the agreement was reached during talks in Gaza between repre-"Both sides condemned the clashes and agreed to act to stop them immediately. Agreement was also reached to avoid

any contacts which might lead to renewing these clashes," the

Japan's economic indicators point to continued stagnation indicated a recovery in the July, while the index of lag-By William Dawkins in Tokyo

JAPAN'S economy is hovering between recovery and decline, the government's official forecasting agency said yesterday. The latest monthly report

from the Economic Planning Agency showed that the diffusion index of economic indicators stood at 50 last month. exactly the dividing line between growth and contrac-This is a slight improvement

from July, when the index stood at 40, the third consecutive month for which it had fallen below 50. The index measures the economic outlook for the coming six months, but can be unreliable, since it had

first four months of this year. Among the index's components, money supply, machinery orders and housing starts

continued to rise in August, as in previous months. The main changes in trend were job offers, which increased for the first time in five months, and industrial stocks, which started to decline for the first time in six months. Overall construction orders were down, however.

The agency's other two main indices showed a slight improvement in August. The index of coincident indicators, which measures current economic conditions, stood at 50.0 last month, against zero in

ging indicators, which traces economic trends in the past, was at 42.9 in August, against a 21.4 a month earlier. Agency officials warned that

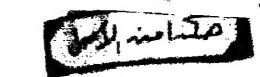
weak industrial production could pull the coincident index back below 50 in September and October. Their fears were reinforced yesterday by an announcement from Mazda, the car producer, that it aims to make all its 25,000 staff take two extra days off in November on reduced pay, to adjust pro-duction in line with reduced

NKK, the steel group, will meanwhile cut managers' winter bonuses and senior executives' salaries from November

because of a fall in profits.

Japan will find it difficult to meet its target of 3.3 per cent growth in gross national product this year, admitted Ms Manae Rubota, the economic planning agency minister. The EPA's forecast is gener-

ally seen, even by other government departments, as optimistic. Most independent economists believe the economy will shrink slightly or stagnate this year. The industrial Bank of Japan yesterday became the latest to downgrade its forecasts, from 0.6 per cent growth for the year to next March, to a 0.3 per cent decline for the same period, followed by a 0.3 per cent rise in



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British Coal wins big order from Denmark By Michael Smith

BRITISH COAL, the state-owned mining coporation, has won its big-gest overseas order since it began testing the market for potential sales in March and is on course to increase exports by more than 50 per cent this

The deal, concluded with a Danish electricity generator for 100,000 tonnes, was achieved against intense international competition. Shipments began this week.

arguments, which have been voiced by MPs, and may resurface today in a house of commons debate, that it has been sluggish in winning extra sales.

The agreement, disclosed by international Coal Report, a Financial Times publication, will also provide a test for the government in how far it is prepared to go in subsidising coal

In its policy document published in March the government said it would provide subsidies for sales to UK elec-It will help British Coal counter up to \$500m was available.

Vehicle

makers

forecast

By Chris Tighe and John Griffithe

pean sales.

land-made cars.

capacity of the axle plant, due

night-shift for its 2,400 produc-

tion workers from November 6 until the end of December.

Output in 1994 may be below

year at least.
But the government last week said it would subsidise a British Coal deal to sell L2m tonnes to Alcan, the aluminium company, in the north east of

England.
The Department of Trade and Industry is considering British Coal's request for a subsidy for the Danish contract, which is with SK Power for its Copenhagen plant.

British Coal refused to say yester-

Since then the generators have shown a marked unwillingness to buy additional tonnages this financial year at least.

Since then the generators have day what price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. However it is likely to be significantly below the £35 a cantly the decline in joint to the price it had agreed for the Danish contract. with the UK generators.

ICR says Danish companies have

recently bought coal for as little as \$30 a tonne. The contract means British Coal will sell about im tonnes of coal over-

seas this year, compared with 600,000 tonnes last year. Imports have also increased, how-

Nissan to build axle plant
 Land Rover increases workforce

ever, from 400,000 tonnes to about 800,000 tonnes, according to latest fig-

The order will not affect signifi-cantly the decline in jobs in the deep

mine coal industry.

Lady Thatcher believes the government has failed to honour its debt to the Union of Democratic Mineworkers, which opposed the National Union of Mineworkers' strike of 1985. In tonight's episode of the BBC TV programme Downing Street: The Thatcher Years, she said: "I under-

stand now that those marvellous working miners, the Democratic Union, feel a sense of betrayal."

Britain in brief

Unit trust sales reach £668.6m

Net sales of unit trusts were £668.6m in September, down from £981.2m in August. Nevertheless, the increase still took net sales for the year to date to £6.91bn, more than in the whole of 1987, the previous

record for a calendar year.

The popularity of Personal Equity Plans, which offer tax-free returns, has been a major factor behind unit trust sales. Of net unit trust sales of £2.6bn in the third quarter, £612m was in Pep form. Funds invested in unit trust Peps now amount to £6.5bn, out of a unit trust total of £84.1bn.

Gross sales of unit trusts in September were £1.38bn and repurchases £711.6m. The slight dip in sales from August's total may have been due to the generally weaker performance of stock markets in September, although they have rebounded to new highs this month. Compared with August, sales to both private and institutional investors were slightly down.

South east faces jobs reversal

A shrinking financial services industry in the south east is leading to fewer jobs and changing working patterns for employees, according to a report. The report of a joint study by academics at Hull and Bristol Universities warned that the industry could be facing a period of long term decline after the wholesale shakeout in jobs and companies over the past two years.
The report, "A Reversal of Fortune?", published by the South East Economic Development Strategy, is calling for local authorities to take greater interest in the provi-

Ofwat seeks

sion of financial services.

increase compensation for poor service rather than their directors' salaries, according to the Ofwat National Customer Council, the industry

watchdog. The council said that water company customers do not have the same rights as customers in a shop, and the water companies were slow to handle complaints and offer

said it had a scheme to guarantee standards, and the reference to chairmen's salaries had "no conceivable relevance

Union chief backs flexibility

Companies can combine job security for employees with the ability to adjust overall employee numbers as markets change, according to one of Britain's leading trade union-ists. Mr John Edmonds, head of the GMB general union, cited Rover, the vehicle manufacturer, and National Power, the generator, as companies which had no compulsory redundancy agreements with their unions but had also shed large numbers of staff in the past two year.

Banks defended in LSE defence

The financial system has been unfairly blamed for short-term attitudes among UK companies, Professor Harold Rose of London Business School said last night in a memorial lecture for Harold Wincott, the former FT journalist.

Professor Rose argued that finance had been "more scape-goat than villain" in limiting Britain's economic growth. Many traditional criticisms of banks and securities markets were contradictory, and lacked supporting evidence.

In the 23rd annual Wincott Lecture, Professor Rose said that while banks were critic-ised for their short-term view, "it is the large British corporate customers rather than the banker who is reluctant to enter into the marriage".

Thames in £90m ITV deal

Thames Television, the inde pendent television production company that lost its ITV franchise, announced yesterday that it had signed a deal to make programmes worth over 290m for the ITV Network Centre, the ITV programme commissioning organisation.
Thames said the agreement was the largest ever in the UK with an independent producer.

compensation £632m this year

The value of fraud charges brought in the UK courts was £632m in 33 separate cases during the first eight months latest figures in the Fraud Barometer produced by accountants KPMG Peat Marwick. That compares with 2671m in charges from 84 cases for all of 1992. The firm said that fraud sentencing was inconsistent, with disproportionately harsher sentences going to professional advisers who abuse positions of trust.

Slowing UK economy hits employers

Economics Staff

IN THE last four months UK tion figures have recently manufacturing output was flat, export orders fell, more jobs in industry were lost and business confidence weakened, the Confederation of British Industry and materials.

try said yesterday.

The employers' organisation said its gloomy quarterly economic survey strengthened the case for an early reduction in interest rates by confirming that the pace of economic recovery has slowed since the summer.

Sir David Lees, chairman of the CBI's Economic Affairs Committee said: "The recoyery, while still moving slowly forward, is fragile, with considerable uncertainty about the prospects for exports."

He urged Mr Kenneth Clarke, chancellor of the exchequer, to take advantage of subdued inflationary pressures to lower interest rates. The CBI's message contrib-

uted to a sharp drop in share prices with the FT-SE 100 share index closing down 19.5 at 3165.3. The pound lost early gains against the D-Mark to close unchanged on the day, and fell over half a cent against the dollar. It closed in London at DM2.4875 and

Although manufacturers still ope to see a modest improvement in demand and production over the next four months, the results of the survey - covering 1.316 companies responsible for two million employees - will add to a growing realisation that sluggish demand in continental Europe is holding

back recovery in the UK. It comes as Mr Clarke is weighing options for next month's budget. Evidence that unit costs in industry remain exceptionally low, while companies have no intention of investing in plant and machin-

ery, may tip the balance in favour of another interest rate cut, even though official infla-

started to creep upwards.

The CBI reported that for the first time since the survey was first conducted in 1958, more companies expect unit costs to fall than to rise. Over the past four months, more companies cut their output prices than raised them.

Investment in plant and machinery is not expected to increase, while investment in buildings is expected to fall. Companies report, however, that they intend to spend money on innovation and training over the next year.

Exports remain a key source of weakness with the cheaper pound proving insufficient to overcome lack of demand from

continental Europe.

The survey indicated that manufacturers have made further marked cuts in export

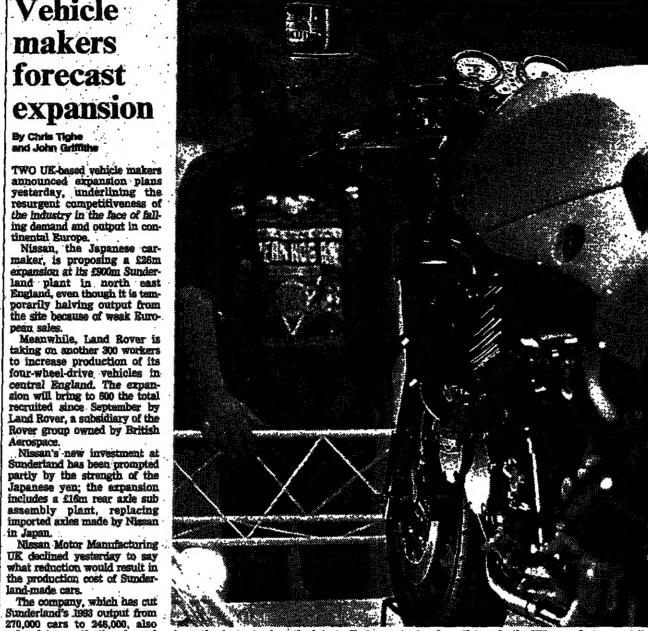
The CBI warned that if manufacturers' expectations of a pick up in export demand over the next four months are disap-pointed, then "it is likely that the recovery could be very sluggish into the New Year".

The outlook for jobs in manufacturing was not good. According to the CBI another 33,000 jobs will be lost over the next three months with large

The survey, which covered more than L300 companies in 50 different industries, found that the number of manufacturers reporting a rise in new orders during the past four months equalled those report-ing a drop. The balance was also flat for output.

The CBI said amall businesses had fared better during the past four months than big manufacturers.

Lex. Page 14 246,000 cars, but the company



Motor Cycle Show in Birmingham. While domestic car sales are recovering motorcycle executives believe their sector is now bottoming out after more than a decade of decline

says it is investing for the

to begin open in 1996. Although more than 80 per cent of components by value come from European suppliers, the company plans to continue At Land Rover, the latest recruitment campaign will lift the company's total employ-ment to 8,700 and put it on importing transmissions and engine blocks, the most single expensive components, from course to achieve record pro-Nissan is also suspending

duction levels. Total output will be running at an annualised rate of 83,000 units when the latest additions to the work force are fully operative from November 8, As

a result, this year the company expects to exceed not only last year's production of 57,000.

In September the workforce was increased with the introduction of a night shift at Solihull, lifting Discovery production from 700 a week to 900. From November this will rise further to 1,050 a week. The increases mean that the Solthull plants will be produc-

government in office.
The government has denied

unionists to avoid a Commons

defeat in a confidence debate

on the Maastricht treaty ear-

However, the Commons pro-

cedure committee is expected

to decide today whether to

respond to unionist demands

for the establishment of a

Northern Ireland select com-

mittee. Irish officials said the

Shankill Road bombing had

Hume-Adams initiative, but

Dublin appeared keen to keep

"seriously damaged"

lier this year.

ing a total of 1,830 vehicles a

week from November, a 42 per cant increase over the 1,290 a week at the start of the year. Honda, the Japanese manufacturer, is also preparing to market Land Rover's Discovery model. In Japan, it will be badged as the Crossroad. The Discovery is to be launched early next year in North America, where Land Rover plans to quadruple total sales to 16,000 units a year over five years.

compensation. Water Services Association

The water companies rejected the criticisms. The

of this year, according to the

Insurers may face mis-selling charges

By Norma Cohen, Investments Correspondent

LAUTRO, the self-regulatory body for the life insurance industry, is considering charges of mis-celling against at least three of Britain's largest life insurance companies.

The three, whose identity has not yet been disclosed, are all public companies. In at least one of the cases, thou-sands of investors may be eli-gible for compensation. Charges against the companies. centre on their failure to con-trol the hard-sell tactics of tied agents who sell their products exclusively but are not

directly employed by them.

The companies failed to monitor the sales agents to ensure that they were giving best advice to investors and failed to exercise due care in the recruitment and training

of sales agents.
Lautro, which yesterday
released its report on its
enforcement activities for the 12 month period ended June 30, said it has seen signs of improving compliance with its rules on selling. It found some signs that the insurance industry is improving the extent in which it complies with Lantro

rules on selling insurance.
But it noted "that a small number of the largest and most serious cases to occupy the Monitoring Committee recently...involved major, 'household name' Life

Complaints to Lautro from the public continued to grow, rising 35 per cent in the period to 2,774. However, Lautro

Premiers to discuss Ulster peace plan sustaining the Conservative for peace in Northern Ireland will be discussed on Friday by Mr John Major, the Prime Min-ister, and Mr Albert Reynolds,

the Irish premier, it emerged yesterday.
The meeting was confirmed against a background of rising violence in Relfast in the wake

of Saturday's IRA bombing in the protestant Shankill Road, which killed 10 people. Mr Dick Spring, the Irish deputy Prime Minister, said he expected both prime ministers to give the Hume Adams initiative "very serious attention on Friday to see where the pro-

ess can go from here". Extra troops and police were moved to Belfast from elsewhere in Northern Ireland yesterday after two catholics were killed and six wounded in two

separate incidents. In a second incident, police arrested a soldier after a shooting outside the home of Thomas Begley, an IRA bomber killed in the Shankill Road attack. In London, Mr Major told the but was more interested in

Friday's Anglo-Irish meeting is likely to be dominated by growing unrest, according to FT reporters in London. Dublin and Belfast

trators of this week's terrorist attacks would be "hunted down and subjected to the full severity of the law." The government, however, ruled out the reintroduction of internment (group detention

without trial). Sir John Wheeler, the Northern Ireland security minister, said there were "no simple, easy solu-Downing Street continued to distance itself from the peace proposals put forward by Mr-John Hume, leader of the mainly catholic SDLP, and Mr

Gerry Adams, president of Sinn Fein, the political arm of the IRA.
Officials said Mr Major was willing to talk to Mr Reynolds,

House of Commons the perpetrators of this week's terrorist strand" talks under the auspices of the Northern Ireland Secretary.

In an indication of the sensitivity with which the issue is regarded in London, Downing Street said neither Mr Major nor Mr Reynolds had asked for a bilateral meeting in Brussels. British officials said the Brussels summit offered a "useful opportunity" for a meeting, but stressed that there was no formal agenda.

Downing Street also contin-ued to maintain that Mr Major had not seen the Hume-Adams proposals, and was unaware of the details of the initiative. The Hume-Adams proposals are regarded with deep suspi-

clon by the Ulster Unionist

party, which is committed to

the proposals alive. Mr Spring said the two governments had an "obligation" to look at "any opportunities" to bring about peace in Northern Ireland "despite the (IRA) atrocity of

last weekend."

Mr Spring also said the two governments should consider responding to unionist demands for the publication of the details of the Hume-Adams

Rail campaigners protest at sell off

MORE THAN 1,000 a deep and growing anger campaigners opposed to the about the sheer lunacy of the campaigners opposed to the privatisation of Britain's state rallway protested at Westminster yesterday, while union leaders described the sell-off plans as "utterly destructive and sheer lunacy", writes Roland Rudd.

The protesters came from as far as Scotland. Pro-rail sup-porters travelled on a special campaign train that left Glasgow in the early hours and called at Edinburgh, Newcastle-upon-Tyne, Darlington, York and Doncaster before arriving in London. Yesterday's protest coincided

with a survey of rail commuters by the Save Our Railways group showing that one in five could switch from train to car if fares went up as expected under privatisation.

Mr Jimmy Knapp, general secretary of the largest rail union, the RMT, said: "There is government's proposals. unworkable and untried and they will undoubtedly lead to closure of services."

Mr Richard Rosser, leader of the white-collar TSSA, said: "The government are not so much playing at trains but playing with trains and playing with them in an otterly destructive manner. Both union leaders backed

calls for Tory MPs to rebel and force through an amendment to the Railways Bill, which would allow British Rail to bid for franchises in a privatised network.

The calls have come from the opposition Labour and Liberal parties which are trying to wreck the government's rail privatisation legislation currently going through parlia-

European consortium to tender for bridge

A CONSORTIUM of European construction companies has been formed by Tarmac Construction to tender for the building of the second Forth road bridge. It is the fourth consortium known to have reg-istered an interest in the project, which might cost £275m. The government is expected to announce early next year whether it wants to go ahead with the new bridge. By next month it will have received feasibility studies on the project, which would be privately funded and operated, and earn revenue from tolls on the new and the existing bridges.

The Scottish Office will draw up a shortlist of three consortia to tender for the project.
The consortium led by Tarmac includes the construction companies Bilfinger and Berger of Germany, Bouygues of France, and HBM (Civil Engineering) of Holland, as well as Transroute, a French toll road operator. It is advised by Morgan Grenfell with lending to be led by NatWest Markets and Banque National de Paris. The grouping is called E15 after the European number of the road which crosses the Forth.

Other consortia to have declared their bids are: Forthspan, led by Trafalgar House and Balfour Beatty, advised by Kleinwort Benson; Forth Link, consisting of Taylor Woodrow, Sir Robert McAlpine, John Mowlem and Morrison Construction, together with Dragados of Spain and Monberg and Thorsen of Denmark, advised by BZW; and John Laing, GTM-Entrepose of France and Miller Group of Edinburgh,

Petrol retailers seek changes in contracts

INDEPENDENT petrol station prices individual retailers can owners yesterday demanded substantial changes to their contracts with major oil companies because of growing competition from discount outlets, particularly those at

Corzine. The Petrol Retailers Association said failure to reach an agreement on new terms could prompt demands for an investigation by the Office of Fair Trading

Mr Phil Richardson, associa-

tion president, said the prob-

supermarkets, writes Robert

set for branded petrol. He said some oil companies have maintained margins on petrol sales by individual retailers even though nearby discount outlets may be selling petrol at prices 5 pence per litre less. In such circum-stances retailers have reported sales volumes falling by as

much as 40 per cent. The retailers want a "force majeure" clause to be added to the supply contracts. It would enable them to buy petrol from oil companies other than the lem stemmed from the fact one to which they are connoted that the rate of growth was lower than the 50 per cent rate recorded the year before. The supplier that contracts, large oil companies exercised a high degree of control over the supply at competitive rates.

Stage set for cabinet battle on cuts

By Philip Stephens, Political Editor

A REPORT by a committee of senior ministers recommending deep cuts in cen-tral government budgets for local authorities, defence, housing and transport last night set the stage for a full-scale cabinet battle tomorrow over public spending. But a partial retreat by Mr Kenneth Clarke, the chancellor of the exchequer, over the scale of cuts in the armed services has defused a threat by Mr Malcolm

Rifkind, the defence secretary, to demand

a fundamental review of Britain's security Mr Peter Lilley, the social security secretary, has resisted successfully treasury demands for the means-testing of child benefit. But he has accepted cuts in mortgage interest payments to unemployed homeowners and other measures.

impensation for the elderly and poor to offset the impact of Value Added Tax on domestic fuel. Mr Clarke was yesterday finalising the

recommendations of EDX, the cabinet committee charged with reconciling the competing claims for resources from Whitehall departments with a commitment for a freeze on overall spending. Mr Clarke wants an agreement to undershoot the ceiling for 1994/95 by up to £1bn. The aim would be to convince rank-and-file Tory MPs that tax increases in next month's Budget were not a substitute for

harsh decisions on public spending. But

months of discussions within EDX had

senior ministers said yesterday that two

failed to achieve anything resembling a firm settlement. "EDX has made recommendations. It has not reached a settlement", one minishomeowners and other measures. ter said last night. The final deal will have the is also battling with Mr Clarke over to be hammered out by tomorrow's cabi-

net or one next week.

Although the gap between Mr Rifkind and Mr Clarke has narrowed, the defence secretary will appeal to the cabinet to pro-tect more of his budget in 1996/97. He will be joined in a call for more favourable treatment by Mr Douglas Hurd, the for-

eign secretary, and other ministers. But whatever the outcome of the cabi-net's deliberations the budgets for local authorities, defence, housing and transport are expected to emerge as the biggest losers. Local authorities cannot expect any real increase in the £41bn the governmen has estimated they should spend in the present financial year, while housing asso-ciations will be the main victim of large cuts in the £8bn a year housing budget. Mr MacGregor faces the prospect of sharp reduction in both his road-building and rail budgets. Mr Rifkind is resigned to cuts of around £1bn by 1996/97 in the £23bn

advised by Bank of America.

fter 10 years of losses, layoffs and falling market share, the US's biggest steel companies have come up with a new way to improve their competitiveness: allow union representatives on to their boards.

Five of the six big integrated steel companies have already concluded agreements with the United Steel-workers of America (USWA) in a move which amounts to one of the most far-reaching experiments in employee involvement undertaken in any US industry. US Steel, the country's biggest producer, could follow suit later this week, if company and union negotiators meet their deadline of reaching a new labour agreement by Friday.

No other US industry has ever experimented with union involvement on this scale. Individual companies, most notably Chrysler, have conceded board seats to their unions in the past, but the practice has never taken root across an entire industry before.

The agreements also provide for union involvement in committees at

all levels of management.
Yet the benefits of worker participation on this scale remain unproven. Will it make any difference to the flagging fortunes of the big steel companies, which are strugging to catch up with newer,

And will the changes turn out to be anything more than temporary, just another phase in "Big Steel's" long decline?

The US's six big integrated steel companies (those involved in every step of steel production, from making the coke for use in their furnaces, to rolling out and coating finished steel sheets) have already cut their combined workforce from 270,000 at the start of the 1930s to fewer than 100,000 now. They have invested more than \$13bn (£9.3bn) between them in the past decade to become more efficient.

However, with overcapacity in the worldwide steel industry and the inroads made by the small "mini-mills" and reconstituted mills at home, a return to sustained profitability remains clusive.

In new six-year accords struck with the USWA this summer, four companies – Inland, followed by Bethlehem, Namenal and Armoo – agreed to appoint union representatives to their boards and to adopt extensive co-management arrangements. A fifth, LTV, has activated a similar plan since coming out of bankruptcy protection at the end of

There are two ways to explain the development. One – espoused publicly by the companies and the union – is that giving workers more of a say will lead to more efficient production methods and make the companies more competitive. "It's kind of an unorthodox way of deal-

The US steel industry is taking part in an experiment in employee involvement, writes Richard Waters

The unions step on board

ing with the problem," says John Jacobson of Wefa Group, an economic research company. "But they haven't been very successful with anything else they've tried."

he other, more cynical, view is that companies find it easier to lay off workers or overhaul their working practices if they adopt a less confrontational approach to labour relations: it idifficult for union leaders to oppose big changes if they have been closely involved in their origin.

According to some labour relations experts, this motivation may lie behind many of the attempts in the US at employee participation since the mid-1980s.

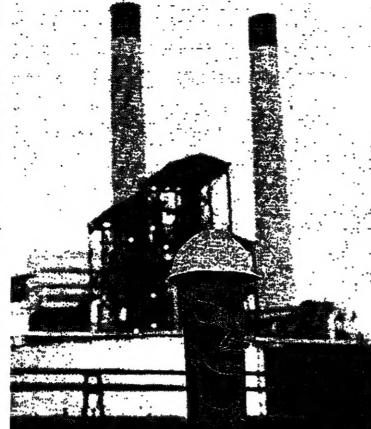
"When companies have excess capacity, this could be a way of making the cutbacks more palatable," says John Dunlop, a former US labour secretary and chairman of a commission set up by the Clinton administration in March to look at the legal framework for labour relations in the US.

Either way, the agreements should have an indirect benefit for the steel companies in the short term. In return for the promises of greater participation in management and a guarantee that there will be no compulsory redundancies, steelworkers have agreed to a freeze in basic pay for the next two years and to greater job flexibility.

But it is less clear whether the participation agreements will yield the sort of sustained productivity improvements their supporters claim. There are at least two reasons why some of the hoped-for productivity gains could prove elusive.

First, and perhaps most important, old attitudes on both sides of the union/management divide die hard. Labour relations in the industry have traditionally been adversarial, says John Goodwin, manager of US Steel's Gary, Indiana, plant, the biggest in the US. "We've got a long way to go - we've got 80 years of history to overcome."

Second, there are very different perceptions of what closer union involvement in management actually means. Will the union's repre-



d class: a sultable image of sinal workers in the boardroom

sentatives have an influence over strategic and other decisions taken by the big steel companies, or are they simply being invited into the executive suite to observe?

Both sides talk glibly of a newstyle "partnering" approach to management, preferring to hide behind this piece of management-school jargon rather than face up to the real question: does the new approach amount to a form of comanagement, or simply as an extended exercise in worker communication?

ry different oser union see what's happening and why deciement actution's repre- to take decisions themselves," says

Joseph Emig, manager of Bethlehem Steel's plant at Burns Harbour in northern Indiana. which is now the home of the US steel indus-

Some union officials appear to agree. Jack Parton, director of the USWA's East Chicago district, says: "I can't run a steel mill. I didn't go to business school, and I don't intend to go to business school now."

He and other officials have recently been invited to attend the regular fortnightly meeting of senior Inland Steel executives, called to review progress against the company's plans. They are not there to second-guess the line man-

agers whose responsibility it is to meet certain targets, he says. But other union representatives talk of more positive involvement

talk of more positive involvement and it seems unlikely that they would sit passively as decisions were taken that would harm their members' interests.

The difference of perception is

The difference of perception is most acute when it comes to the question of board-level representation. The steel companies point to the legal responsibilities the union's directors will face.

"The first, foremost and only obligation of every director is to represent the interests of shareholders," says an official at Inland Steel.

Union members, though, cling to the idea that the directors they nominate will represent their interests, not those of the shareholders. To some, it seems like an opportunity to fight the old union/management battle from the inside. "Boards give their management people golden handcuffs - we hope we will now be able to put a stop to things like that," says Andy Hopkins, a tractor driver at Bethlehem's Burns Harbour plant and a part-time union official.

Doug Frazer, a former head of the United Auto Workers, agrees. In the 1970s, he became the first union leader to sit on the board of a leading US company when he was appointed a director of Chrysler. Union-appointed directors are there to fight for the interests of workers, he says. They also have a right to tell their members everything their boards do.

"I said that as far as I was concerned, nothing was confidential. There's not enough openness in these large organisations."

Such comments send shudders through secrecy minded executives. But, in practice, the union-nominated directors are likely to be able to exert little direct influence, even if they wanted to.

"It will not make a difference to the way the company operates. But if it makes all our employees understand better why decisions are taken, it will help," says Curtis Barnette, chairman of Bethlehem.

It is also questionable whether the new arrangements will stand the test of time. The history of US labour relations is littered with similar examples of experiments at employee involvement that did not last.

It takes a crisis to encourage companies to let workers on to their boards, says Frazer. When Chrysler had returned from the brink, the union seat was quietly dropped. "I think they stole that seat from us," says Frazer.

If all the big steel companies agree to let union representatives on to their boards, the experiment this time could at least prove longer lasting.

Personnel crisis? what crisis?

David Goodhart explains why the role is becoming less pigeon-holed

The recession has been rather kind to Britain's personnel practitioners.

The annual conference of the Institute of Personnel Managers, which opens today in Harrogate, is the biggest yet staged.

The IPM is expecting 1,800 delegates and now claims 52,000 members out of a total number of personnel managers estimated at 100,000. And the latest issue of Personnel Today reports that personnel vacancies are on the rise again.

On the face of it this seems strange. Larger companies might have temporarily boosted their personnel function to cope with the large redundancy packages of the recession years, but the longer term outlook for the traditional personnel function is supposed to be poor.

The conventional view of

The conventional view of decline states that as the importance of human resource management has been recognise so large parts of the personnel function have been devolved to line managers.

line managers.

Geoff Armsirong, now head of the IPM and a veteran of industrial disputes in the car industry, recalls: "In the 1960s and 1970s we had constant bargaining about change and line managers abdicated the personnel function to big, centralised personnel departments."

Most of those big departments have been slimmed down or even closed. And not always because of a belief in the virtues of decentralisation. When hard-nosed conglomerates such as Hanson Trust took over a company in the late 1980s one

of the first things they did was to close the central personnel department.

In smaller companies, too, the specialist personnel function has often disappeared completely.

creating more work for employment lawyers.

"A lot of companies have lost all internal expertise on employment law matters which law firms have capitalised on." says Paul Nicholls of Dibb, Lupton and Broomhead which has increased its employment law staff from four to 14 over the past two years.

Privately, many senior
personnel managers admit these
changes have led to an identity
crisis for the personnel function.

"Personnel often has a rather dated 1970s image, still trying to find a balance between labour and management." says one. "The personnel function is being pulled in so many different directions but it really has got to prove its hard-edged business advantage."

Sometimes this identity crisis is played out in the conflict between "soft" personnel people trying to balance interests, and "hard" human resource managers trying to improve efficiency, often in a non-union environment. It also seems to be afflicting the government-appointed lead body which is having trouble

defining what personnel
managers actually do in order
to establish National Vocational
Qualifications for them.
John Hougham, now head of
Acas and former head of

Acas and former head of personnel at Ford, is suspicious of the hard-liners and fears the decline of the more traditional personnel function.

"The personnel function is

"The personnel function is showing some signs of losing its organisational status in some quarters," he warns.

But even if the traditional.

"collectivist" personnel manager is disappearing, the personnel function is adapting to survive, as the continuing growth of the IPM seems to show.

Peter Reid, head of employment

affairs at the Engineering
Employers Federation, says that
personnel is now less
pigeon-holed than it used to be
and that a spell in personnel is
increasingly useful for a
board-level director.
Indeed, if hogyl-level

Indeed, if board-level representation is an indicator of the status of the personnel function then there is little to worry about.

According to the Cranfield School of Management, 49 per cent of all private and public organisations employing more than 200 people have a personnel representative on the board, up from only 40 per cent at the start of the 1980s.

BUSINESS AND THE ENVIRONMENT

Signs of order spring from chaos

Argentina is starting to take green issues seriously, but progress is slow, reports John Barham

hen seven people died last month in a working-class suburb of Buenos Aires, overcome by highly toxic fumes from industrial waste which a company had dumped into drains near their homes, the tragedy featured nightly on television news programmes.

But within days, judges, politicians and regulators began squabbling over who was responsible for the disaster and who should be hunting down the owners of the waste disposal company blamed for the incident.

Meanwhile, the government felt compelled to "do something" and dusted off a requirement – never previously enforced – that companies handling hazardous waste must register with the Natural Resources and Human Environment Secretariat.

However, after a few weeks, both the media and the government had forgotten about the incident.

Sadly, nothing about this event was unique. Every time an environmental accident hits the headlines, as frequently happens, competing bureaucracies start rival investigations and issue a blizzard of rules and regulations which are soon forgotten.

Argentina's most important body of environmental laws was born under similar circumstances. Reports in 1991 that industrial waste from developed countries was being dumped in Argentina led to a new toxic waste law in January 1992. The government also included environmental offences in the civil and criminal

codes.

Basically, the law established a cradle-to-grave rule making companies responsible for the safe disposal of waste. But it took the Environment Secretariat 17 months to publish detailed regulations making the law enforceable. Until then, companies were in

The law is contradictory and confusing. Jenny Valdirio, an environmental consultant, said it "is practically a copy of US legislation, but conditions [here] are not similar. There is less technology and there are fewer treatment

possibilities". And its definition of toxic waste is so broad that anyone with an open oil can in their garage is violating the law. Until recently, none of this mat-

Until recently, none of this mattered much. Argentines were too busy coping with military repression and economic instability to worry about the environment. Advanced legislation introduced during the turbulent 1970s, such as the clean air law of 1975 and a decree establishing the "polluter pays principle", were rarely

Now, with democracy and economic stability more firmly established, people are demanding a halt to environmental degradation, particularly of water sources. In Buenos Aires, untreated sewage is poured into tributaries of the River Plate. In the city's industrial belt, factories, slaugh-

Even the government admits that the courts are slow,

inefficient and corrupt. As a result, offenders are rarely punished

terhouses and tanneries dump waste ranging from animal blood to heavy metals into the rivers. Environmentalists claim companies often have waste treatment units but do not use them. People who live in the industrial belt suffer from dysentery, gastroenteritis, hepatitis and worms. The water table is contaminated.

Raymond Florin, executive director in Argentina of the Business Council for Sustainable Development, the body created by the environmentally-conscious Swiss businessman Stephan Schmidheiny, says demand for change "is coming from all over the place — people, politicians, judges, NGOs, the state, the media—and very quickly. Great changes

are taking place [so rapidly] that people don't know what to do". Companies are struggling to adapt. "Six or seven months ago nobody talked about the environhn Barham

ment. Now you talk to any manager and he'll have something to say about it." says Florin. How-

set up environmental control departments.

The government is changing slowly. Its Environment Secretariat is staffed with political appointees who have little understanding of environmental policy. The secretariat's 1993 budget of \$19m (£12.5m) is half the sports budget. Even the government admits the courts are slow, inefficient and corrupt. Thus offenders are rarely punished. Amid this chaos, however, order is beginning to emerge. More rational economic

ever, he admits that even large companies are still unwilling to

emerge. More rational economic organisation is a big part of this. The government has privatised environmentally sensitive steel, chemical, energy, water and petrochemical industries. Before, these companies were run by authoritarian bureaucracies which disregarded the law and were not pub-

Privatised utilities are now charging consumers the real cost of water, electricity and gas — which the state once provided at artificially low prices that discouraged conservation.

As well as buying state assets, private companies also took on the state's environmental liabilities. Independent government regulators are starting to enforce environmental and quality standards that were once ignored. Some business people admit that if they had realised the size of these liabilities, their privatisation bids

would have been much lower.

Pedro Tarak, executive director of Fundacion ARN, a Buenos Aires environmental foundation, says individuals, associations, local government and congress are demanding greater participation in policy-making and enforcement. Even the much-criticised Environment Secretariat is reforming and hiring professionals.

Argentina has a long way to go.
Accidents like the one that cost those seven lives will recur. Tarak says "unfortunately we still need more situations [like that] so we all understand the need to get organised".

he Clinton administration's new proposals to encourage reduced-risk pesticides represent a comprehensive reform package which is likely to alter radically the way pesticides are used in the US.

are used in the US.

In response to increased pressure for new rules by environmental and health activists, the new law would impose a tough, uniform standard for all foods. The proposal would scrap the 35-year-old Delaney Clause, which poses stricter rules on the use of pesticides in processed foods than in fresh foods. In its place, the proposed new law would:

• Extend the current standard of a

place, the proposed new law would:

Extend the current standard of a "reasonable certainty of no harm" from canned goods to raw fruits and vegetables.

Establish goals for the reduction

of pesticide use by 2000.

Eliminate the consideration of "economic benefits" in the pesticide approval process.

Enhance enforcement.
Give greater priority to safer and reduced-risk pesticides.
Require high-risk pesticides to meet the safety standard within three years and all other pesticides

within seven years.

The package was put together against a background of growing evidence that pesticide levels in the US are too high for the safety of infants and children. It was also a response to increasing concern

about the ecological impact of toxic pesticides.

However, the proposed regulations are worrying for farmers since a number of existing pesticides would be rendered illegal. In response, farmers would be forced to find alternatives to keep their

crops insect- and disease-free.

Propitiously, a new generation of pesticides is beginning to make its way on to the market. A number of companies are investing heavily in the development of low-risk pesticides, which range from genetically-altered plants and bacteria to wider use of naturally-occurring pesticides.

"We need to consider alternatives

"We need to consider alternatives to traditional pesticides," says Frederick Betz, a senior biologist at the Environmental Protection Agency. "Fortunately, there's a lot already on the market and a lot which will soon become available. I think the production of reduced-risk pesticides will boom over the next few years."

The Food and Drug Administra-

tion has promised speedy review of pesticides which fall into the reduced risk category, in an attempt to move products quickly from the research laboratories into farmers' fields. As a result, a flood of new, alternative pesticides may be approved in the next few years.

One of the most novel areas of research is in pheromones, chemicals which influence the sexual

behaviour of insects. Pheromones.

US plans to minimise the use of high-risk insecticides have spawned a new generation of safer products, writes Victoria Griffith

Assault on pesticides



mers are worried that a number of existing posticides will soon become flegal

which are harmless to humans, can be used to lure insects into traps, or can be released in concentrations large enough to disturb mating patterns. "If we put out enough, the insects can no longer use the pheromone as a signal to find their mate." says Betz.

One US pesticide manufacturer, Ecogen, has identified more than 200 insect-specific sexual hormones and is searching for ways to use them effectively in the field. "We like to put them in a form in which they can be sprayed, so they'll be more practical," says David Olson, Ecogen's director of regulatory affairs. "We also need to have them vaporise slowly, so they'll be effec-

tive over the course of a few weeks." As a possible solution, Ecogen has designed plastic microcapsules which can be used in a spray form and dissolve slowly over time. Another important development

Another important development is the cultivation of plants which are genetically engineered to resist pests. A number of companies are conducting research in this area and several hope to offer genetically engineered seeds for sale within the next few years.

"Nature produces chemicals

"Nature produces chemicals which are poisonous to certain insects, but not to humans or beneficial pests," says Mike Sund, spokesman for Closseeds. "We're trying to create plants which pro-

duce these chemicals themselves."
Cibaseeds, part of the Swiss Ciba group, is working jointly with Micogen to develop a maize plant which is resistant to the common and destructive pest, the European corn borer. Monsanto has programmes in place for cotton and potatoes as well as maize and believes this method, besides being good for the environment, will be extremely

"Using traditional, exterior insecticides can be a hit or miss thing," says Frank Serdy, regulatory affairs director for Monsanto. "But if the plant itself is excreting the chemicals, the insect gets a load of toxins with every bite. Genetically engineered plants are the wave of the future in pest control."

Manufacturers are also using genetic engineering to alter naturally occurring bacteria, or microblas, which act as toxins to certain insects.

"These bacteria are well-established as safe pesticides," says Janet Overholt, manager of regulatory affairs for Novo Nordisk. "But there is a lot of room to improve their efficacy."

Many of the bacteria, for instance,

lack stability in the field. They are often sensitive to light, and may last no more than a few hours. Others are not as target-specific as desirable. The pesticide companies are seeking to enhance their effectiveness.

However, not all groups are constructed that are selected.

However, not all groups are convinced that genetic engineering is the solution. Despite strong support for these programmes from the Clinton administration, activists are already organising consumer boycotts against genetically engineered food products. Ironically, the new reduced-risk pesticides may encounter more opposition than the high-risk products they will replace.

The solution, according to the pesticide group EcoScience, is to stick with natural pesticides. The company researches naturally occurring pesticides in the field and packages them as pesticides. One product, a fungus which was originally found in lowa, sticks to roaches, eventually causing death. Another bacteria is effective in eliminating post-harvest disease in apples and other tree fruit.

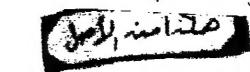
Micogen has also discovered a native maize species which is resistant to the corn borer and is using cross-breeding methods to enhance the resistance of cultivated plants.

But these solutions are limited.

Moreover, because insects tend to build up resistance to pesticides, a wide range of products is needed.

The key is to use one insecticide for a while and then switch to

build up resistance to pesticides, a wide range of products is needed. "The key is to use one insecticide for a while and then switch to another, rotating them," says Serdy. "No single pesticide will provide the final solution. That's why we need to look at all the alternatives available."



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Television / Patricia Morison

Saddam's unseen victims

IEWPOINT 93; Saddam's Killing Fields (Tuesday, ITV) was a poignant reminder that what the lens does not see the heart does not grieve over. It showed how different have been the experiences of two groups of Saddam Hussein's opponents, the Kurds and the Shia of southern Iraq.
The luck of the Kurds began

to turn when the cameras focused on the poison gas victims in the streets of Halabja. The cameras were back in force to film the Kurds' exodus to the mountains, stumbling through the mud and snow Those pictures struck a chord in the outside world: emotion was translated into action and the Kurds - at least in the short term - are safe.

The documentary, filmed in Free Kurdistan and Iran but not Iraq, pieced together evidence of the scale and viciousness of the Iraqi army's reprisals, said by the Kurds to have claimed 300,000 Shi-ite victims in the intifida 1991 alone. The colossal bad luck of the Shias is that since the crushing of their intifada, they have been hidden from the world's sight. The programme examined the genocidal Iraqi policy towards the Marsh Arabs and argued that the idea of a safe haven in

the south must be resurrected. The Marsh Arabs, said to number 70,000, face the extinction of their unique way of life as their villages are rocketed, the waterways are poisoned, and the buffaloes, fish and reed-beds die. The chief exter-nal witness to the Marsh Arabs' destruction have been satellite photographs of land which is now brown and life-less, the effect of Iraq's notorious drainage project. It was presented to the UN as an agricultural improvement scheme, but human rights observers are convinced it is an instru-

An amateur video made six months ago showed Marsh Arabs appealing to the UN and US for help, above all for the canals to be bombed so that the water returns. The hopelessness of these people was eloquently expressed by the bitter words of one refugee: They come to film us and set us to music like the TV comedy they think we are."

ment of genocide.

The UK's foreign Office minister Douglas Hogg explained with wondrous suavity that there was no possibility of external intervention although "the process' will probably take some time. It is at least possible that within the timeframe Saddam may fall." To hear genocide described as "a

process" gave a small chill. My mind jumped back to last sday and the first part of Thatcher: The Downing Street Years (BBC2), in which that lady lambasted the For-eign Office and its "whole cul-ture" based on negotiation.

The Thatcher documentary

is guinea-a-minute stuff. With the second instalment screened tonight and such reams of comment already written, I will not dwell on episode one except to say that the gender aspect was particularly interesting. Dur-ing her time in office Lady Thatcher showed little interest in women's causes. Accepting membership of the single-sex Carlton Club was just one example of her lack of solidar-ity. Even so, I thought Lady Thatcher's observations about the prejudice she encountered for being "that woman" was

telling. Mrs Thatcher used sex as a weapon in her rise, but it also helped others to belittle her and it played a part in her downfall. There is meat there for every woman who operates in a male environment, however hostile she is to Thatcher's political values, to ponder. The Foreign Office came in for a pounding in *Dispatches* (Wednesday, C4), a gripping dramatisation of Lord Justice

Scott's inquiry into the arms

for Iraq scandal. The programme had actors impersonating figures such as David Gore-Booth and William Waldegrave at the most uncomfortable moments of their grilling by Scott and Pre-silly Baxendale. It made compulsive watching and whetted the appetite for what is to come when Lady Thatcher and the Prime Minister appear.

t some time I have been asked (possibly by my credit card company) for my mother's maiden name as a way of ascertaining my credentials over the telephone. Panorama; Secrets for Sale (BBC1, Monday) showed that no question, however arcane (dog's name, favourite pudding), could protect personal data. Panorama filmed a ferrety

character called Robert Hemphill using a lens concealed in a rolled umbrella. His company is one of many which offer to obtain details of bank accounts, credit cards, police records, National Insurance and National Health records. Panorama set Hemphill to penetrate the private details of four people, among them trade union secretary Rodney Bick-erstaff and Lord Parkinson's former lover, Sarah Keays. The four were amazed to dis-



cover the speed with which secret information could be produced. Hemphill, unaware of the umbrella lens, explained that he could gain access to the police computer at Hendon which holds criminal records. He told his Panorama contact: "It's literally bribing a police

contact; it is that simple' The scam revealed, Hemphill high-tailed out of the office pursued by his Panorama interviewer. Some aspects of this kind of intelligence gathering come close to criminality,

tially - and wisely - the tradi-

tional text which he knew as a

premier danseur with the

Royal Ballet. There is little

innovation - Caraboase flies in

and out, with no little panache,

on wires; the trick is somewhat

minimised by having the Lilac

Fairy (in "anything you can

do, I can do better" mood) join-

ing the Prince in a similar

lift-off at the end of the Vision

Scene - and much sensible

conservation. Petipa, as I never

cease repeating, Knew Best. I would query Hynd's need to

bring in an extra Fairy at the

Christening, in the cause of

symmetry I'd guess, but also of

musical crassness, because

Tchaikovsky also Knew Best.

in much else we recognise the

rule of good sense, and affec-

tion for a work that is a central truth about ballet itself. The

score was very decently played by ENB's orchestra on Monday

night in Southampton, where I

saw Beauty at the Mayflower Theatre, and most signifi-

cantly, the choreography was

set out with commendable clar-

It is some comment upon the

ity by ENB's dancers.

but many are beyond the reach of the Data Protection Act or any other legislation. Is the open society in one respect effectively already here?

What a relief to turn to more rarified matters: the fate of vanished civilisations, examined on Equinox; Out of the Past (C4, Sunday). Who could envy the modern archaeologists after a programme in which we saw them spending years counting pine seeds and measuring microscopic variations in the cutting edge of obsidian knives? The end result, however, is an important jolt to the old chronology of the collapse of Mayan civilisation in Central America.

It now seems that the Mayans did not suddenly vanish. Their kings departed but the ordinary folk carried on, planting their maize for two centuries. But when the end came, in the 12th century AD, it was over-population, salingtion, and soil exhaustion which put paid to a brilliant, cruel divilisation

The moral is one that archae ology is increasingly coming to realise. Pace New Age romantics, many an ancient peasant civilisation did not live in joyous harmony with its environment. This was a brilliant documentary, untricksy, even old-fashioned, and there was no presenter but only bearded archaeologists with a far away look in their eyes. Yet for sheer cerebral excitement, it was quite the best thing I have seen in a long month supine in front of the TV.

DOUG Elkins is a wacky klutz with a fabulous talent and no sense of structure. This American dance-maker first brought his work to Dance Umbrella in 1991; last weekend be and his company returned. Watching his work is bewildering. Two years ago, I suspected that he was the most marvellous young dance-maker to have come along since Mark Morris; now I am sure that he is. I am also sure, however, that he never bothers to turn his

dances into choreography. Almost any phrase in Elkina's work is a hilarious but thrilling fusion of contrasting traditions. Sometimes, he adds yet another layer of contrast by setting these dances to music from another culture (eg Indian) or era (eg Handel). His dancers are a complete mix - skinny or plump, short or tall, long-haired or bald - and the dances he gives them may be straight, gay, neither or both. Ironies abound: campness too. is one of happy consensus, in lively harmony with the music.

in these respects, Elkins is a classical artist. His work places itself at the ends of several traDance/Alastair Macaulay

Feckless talent

ditions, and occasionally sug-gests that he knows his own kinship to George Balanchine, Merce Cunningham, Paul Taylor, Twyla Tharp, Mark Morris, and others. The resemblances occur in fleeting references that enrich his work. Much more obvious and important are the basic virtues that his dances often show: seamless phrasing, steady current, rhythmic pulse. His dancers iook like folk having a good time in a bisexual New York club and like artists attending to niceties of musical detail

and dance style. I like best his suite of Latin dances, A Cerca de la Escuelita. What rare bliss to find a choreographer alert to the metres of the chacha, the mambo and were pure Latin, but all of them were much closer to true Latin style than any of what is practised on the professional ballroom circuit. More Wine for

Polyphemus, though the programme dates it as new this year, incorporates material we saw two years back. Now, as then, my jaw drops at the impudent musical wit with which Elkins mixes charleston the twist, breakdance and ballet to Joan Sutherland's recordings of Handel aries.

You watch these ingredients being so uncannily assembled, your senses ravished by first impressions, you tingle with anticipation - and then you watch this young chef pour his cooking down the drain. In 1991, I hoped that Elkins's

feckless failures of construction simply suggested that he had not yet got round to addressing larger matters of choreographic craft. In 1998, it but all too plain that Elkins thinks that not being organised is cute. His ordering of them is full of oh-gee-is-this-elive-show attempts at simulated clumsiness. Though his

dances are no end of fun to watch moment by moment, they win only a spattering of final applause. Too flip. His work has made me blink

tears of sudden wonder, and laugh aloud with incredulous joy. Of the rare calibre of his talent, I have no doubt. Ultimately, however, it filled me with despair.

Shobana Jeyasingh is an Indian choreographer who lives and works in Britain. Her dancers employ the traditional Indian vocabulary of the Bharata Natyam style, but she uses modern Western music and many structural features of modern Western choreography. This season has invited Richard Alston to make a piece for her six dancers

Alston is the finest maker of sheer dances in Britain today, and watching his Delicious Arbour, choreographed to Purironic experience. For these dances both revitalise Bharata Nyatyam - and yet are clearly not Bharata Natyam. They feel utterly Alston - while looking utterly unlike anything he has

The ironies of Delicious Arbour lie mainly in its rhythms and its musicality. Alston has applied features of Indian dance metre to the radiant baroque measures of Purcell sometimes moving slow against a faster beat, or in rapid embellishments around a slower beat, but always revealing its inner processes. Its beauty is that Jeyasingh's six dancers seem to claim Purcell

as their inheritance. Jeyasingh herself has choreographed Romance - with footnotes. But her refined and clever organisation of traditional dance material seldom takes off as sheer dance, or creates a stage world of its own. When Alston uses her dancers, they look girlish, shy, but sharply individual. In Jeyasingh's material, they look like studious, inhibited acolytes.

Ballet / Clement Crisp ENGLISH National Ballet has just gained a new staging of The Sleeping Beauty. Produced by Ronald Hynd, it is essen-

> work - and the weeding-out already undertaken by Derek Deane, ENB's new artistic director, that the lacklustre troups we have been watching during the past few years has been so transformed. There is brightness and assurance to the work of the corps de ballet, and the Prologue's fairy variations were far more secure as expositions of classic style than anything the company showed us under the previous regime. If Deane can thus inspire his artists after a few months, we have much to look forward to. Such a masterpiece as Beauty will either enhance or utterly destroy its interpreters, but Hynd's love for the hallet, and Deene's sense of performance standards, have

put the company on its mettle. The design is by Peter Docherty. He has provided a setting of soaring pillers set against sky-scapes that suggest seasonal moods, with golden-leafed branches which feature

Assured Beauty

the action. The visual effect is

most poetic in the Hunting scene and the Awakening: autumnal magic is potent. About his costumes I have certain reservations, more to do with fabric than cut or shape, for he follows the correct historical progress from Louis XIII to Louis XIV, and the Watteau-esque designs for the Hunt are splendid. But modern artificial fibres have an unnatural sheen, unvarying and unresponsive to light. They blare, and the solid blocks of courtiers in blue and acid anilins green in the Prologue, the lurking presence of lurex in gleaming bodices, do not give that feeling of impossible luxury and Versailles' elegance vital to Beauty's power,

are commendable because testimony to serious work and serious coaching. Hynd has made a charming trio for the third act jewels, well done by Josephine Jewkes, Graham significantly and beautifully in Rows, Stephen Sherriff, and I

saw very neat Bluebirds from Yet Sen Chang and Ambra Vallo. Carabosse was well and malevolently played by Kevin Richmond.

Aurora and her prince were taken by two new recruits: Cecilia Kerche from Brazil, and the Frenchman, Cyril Pierre. Miss Kerche is a secure performer, but I did not think her physique or her temperament revealed her as one of nature's Auroras. The ultimate and glorious demands of the role - the ballerina as incarnation of a classic ideal - have yet to be met in a reading I found un-nuanced. M. Pierre is a handsome figure and an admirable partner, but he did not show that princely dignity in dancing which makes the last act duet a portrait of a nobleman. The most satisfying performance of the evening came from Evelyne DeSutter, returned to the company after several years, as the Lilac Fairy. Her delicate physique, the elegance

English National Bailet plays Beauty in Southampton this week; then visits Manchester (week of November 1), Liverpool (Nov 8), Bristol (Nov 16), Leeds (Nov 22).



Mixed cultures: the Shobana Jeyasingh Dance Company

Theatre/Malcolm Rutherford

OLIVER Goldsmith's She Stoops to Conquer entered the first division of English comedy when it was originally performed in 1773 and has stayed there ever since.

In its new outing, directed by Sir Peter Hall at The Queen's, it is playing at the very top, along with the best productions you can remember of (say) The Importance of Being Earnest or A Midsummer Night's Dream. The subtitle is The Mistakes of a Night which must have been picked up from Shakespeare, and Wilde plainly learned from it.

The play's strengths are its dialogue, its characters and even its plot: in short, everything you could ask for. Scarcely a word is wasted and it is remarkable how many of its lines remain colloquial to this day: "This is Liberty Hall", for example. Goldsmith also had a wonderful way

with names: not only Tony Lumpkin, the young bumpkin of a squire, but also Dig-gory, the man taken in from the barn to serve in the house.

In Hall's production there are at least three characters who are outstandingly drawn. Joint top are quite exceptional performances by Tom Beard as Marlowe and Emily Morgan as Kate Hardcastle. Marlowe is the well-bred man who has a way with women provided they come from beneath the stairs, but lapses into a Fevdeau-like stammer when confronted by a girl of his own class. Beard plays him as if he is the star of the show. Perhaps he is.

Even Beard, however, would not be so good without Ms Morgan beside him. Her Kate is the reverse of Marlowe; she can't win him as her real self, so pretends to be the maid. Scenes of mistaken identity are frequent, hilarious, and exquisitely timed. It may seem odd to concentrate on that pair when Donald Sinden is also in the cast, yet he seems happy enough to take a slightly secondary role in such company. As Hardcastle, the genial father of Kate,

hear his plummy voice again and to watch his magnificent stage presence.
"I love everything that's old," he says,
"old friends, old times, old manners, old books, old wine." And, in this perfor-

he has a little trouble with his wig; in the

second act it fell off. But it is a pleasure to

mance, that's the way it is. There is a special delight towards the end when the late entrant, Sir Charles Marlowe, is played by Donald's brother, Leon. Watch them looking out from behind the screen together. Every theatrical device is there.

Queen's Theatre 071-494-5040

INTERNATIONAL

BONN

Oper Tonight: Valery Panov's production of Prokoflev's ballet Romeo and Juliet, Tomorrow: Werther. Fri, next Tues: Lortzing's Der Wildschütz. Sat: Cav and Pag. Sun: Ken Russell's version of Salome. Mon: Otello, with a cast led by Vladimir Atlantov and Renato Bruson. Nov 14: first night of new production of La Fanciulla dei West (0228-773667)

BORDEAUX

Palais des Sports Tonight and tomorrow: Karl Anton Rickenbacher conducts Orchestre National Bordeaux Aquitaine in Chopin's Second Piano Concerto (Eugene (stomin) and Bruckner's Ninth Symphony (5648 5854)

■ COLOGNE

Opernhaus Tonight, Tues: TanzForum triple bill, choreography by Jochen Ulrich (in repertory till

Nov 19). Tomorrow, Mon: Michelangelo Veltri conducts Tosca with Galina Kalinina, Mario Malagnini and Alain Fondary (In repertory till Nov 23). Fri: Ann Murray song recital. Sat: Billy Budd with Boje Skovhus in the title role and Victor Braun as Claggart (in repertory till Nov 27). Sun: René Jacobs conducts L'incoronazione di Poppea, with Patricia Schuman. Kathieen Kuhimann, Jeffrey Ga and Curtis Rayam (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, Sat, next Mon: Alexander Gibson conducts David Radok's new production of Peter Grimes, with Stig Fogh Andersen, Tina Kiberg and Norman Balley (also Nov 5, 11). Tomorrow, Fri, next Tues: three Balanchine ballets (tel 3314 1002 fax 3312 3692)

DUSSELDORF

Deutsche Oper am Rhein Tonight and Fri: La Cenerentola. Tomorrow and Sun: Der fliegende Hollander. Sat: first night of new production of bailet mixed bill, choreographies by Balanchine, Van Manen and Spoeril (repeated Nov 1, 6, 12, 13). (0203-300 9100)

FRANKFURT

Oper Tonight, Sun: Sylvain Cambreling conducts Peter Mussbach's new production of Wozzeck, with Dale Duesing and Kristine Ciesinski. Tomorrow and

Sat: Cosi fan tutte. Fri: Il barbiere di Sivigila (069-236061) Alte Oper Tonight: Heinrich Schiff, accompanied by Tzimon Barto, plays cello sonatas by Debussy, Franck and Beethoven. Next Tues: Leonard Statikin conducts Saint Louis Symphony Orchestra in works by Claude Baker, Beethoven and Richard Strauss, with piano soloist Rudolf Buchbinder. Nov 5: Jessye Norman (069-134 0400) Jahrhunderthalle Fri; Alban Berg Quartet, pianist Rudolf Buchbinder, plays chamber music by Janacek and Dvorak. Sat: Herbert Blomstedt conducts Bamberg Symphony Orchestra and Bavarian Radio Chorus in works by Brahms and Janacek (069-360 1240) English Theater Kaiserstrass Edward Taylor's thriller Murder by Misadventure, daily except Mon till Nov 20 (069-2423 1620)

■ GOTHENBURG

Konserthuset Tonight: Rudolf Werthen conducts I Fiamminghi in works for chamber orchestra, including Elgar's Serenade and Britten's Frank Bridge Variations. Tomorrow: Hagen Quartet plays works by Schumann, Stravinsky and Mozart. Sat: Musica Vitae chamber orchestra plavs Lutoslawski, Haydn, Leo Weiner and others. Next Wed, Thurs: Neeme Järvi conducts Strauss and Stenhammar (031-167000) Stora Teatern Tonight, Fri, Sun: Robert North's new ballet The Russian Story, music by Tchalkovsky and Shostakovich. Sat: Gabriele Bellini conducts first night of Sonja Frisell's new production

of Rigoletto (031-131300/ 031-136500)

HAMBURG

Staatsoper Tonight, Sun: Gerd Albrecht conducts Gunter Krämer's new production of Götterdämmerung, with Gabriele Schnaut, Siegfried Jerusalem, Matti Salminen and Günter von Kannen. Tomorrow; ballet mixed bill. choreographies by Lubovich, Ek and Neumeier. Fri, next Wed: Neumeler's version of Swan Lake. Sat: Die Zauberflöte. Next Tues: Il trovatore with Julia Varady, Lando Bartolini and Giorgio Zancanaro . (040-351721)

LYON

Opéra Tonight, Fri, Sat (also Nov 3, 5, 7): Maguy Marin's production of Coppelia. Tomorrow, Sun: Kent Nagano conducts Louis Erlo's Offenbach adaptation, Des Contes d'Hoffmann, with a cast led by Daniel Galvez-Valleio, José van Dam, Gabriel Bacquier and Isabelle Vernet (7200 4545)

MUNICH

EUROPAMUSICALE Throughout October, orchestras from more than 30 countries have been visiting Munich as part of a festival aimed at giving a sound-picture of Europe's cultural diversity. The festival comes to an end over the next five days with orchestras from Ireland, Austria, Romania, Switzerland and Estonia

Most concerts take place at Gastelg. Tonight: RTE Concert Orchestra of Dublin plays works by John Field and Hamilton Harty. Tomorrow: Seiji Ozawa conducts Vienna Philharmonic Orchestra in Havdin. Bartok and Dvorak. Fri: Horia Andressou conducts Romanian National Radio Orchestra in works by Enescu and other Romanian composers. Sat: Armin Jordan conducts Orchestre de la Suisse Romande in works by Eric Gaudibert (b1936), Bartok, Debussy and Ravel, with piano soloist Martha Argerich. Sun morning: Estonian State Symphony Orchestra plays Tubin, Part and other Estonian composers. Sun evening: closing gala with European Community Youth Orchestra and Bavarian State Opera Chorus, plus vocal soloists including Teresa Berganza, Francisco Araiza, Edita Gruberova and Yevgeny Nesterenko (089-4809 8814)

BAVARIAN STATE OPERA Tonioht, Sat, next Wed; La boheme. Tomorrow: John Cranko's ballet The Taming of the Shrew, Fri; Salome with Mara Zampleri and Ekkehard Wlaschiha. Sun: Minkus' ballet Don Quixote, production by Ray Barra. Mon: Le nozze di Figaro. Tues (Prinzregententheater): Waltraud Meier song recital (089-221316). The company's new intendant, Peter Jonas, and music director, Peter Schneider, outline policy tomorrow evening at Gasteig in conversation with Munich critic Wolfgang Schreiber (089-4809 8614)

OTHER EVENTS New York Harlem Theatre presents Porgy and Bess daily except Mon at Deutsches Theater (089-5523

4360). Kammerspiele has a new production of Thomas Bernhard's play Am Ziel, and repertory also includes Shakespeare's Much Ado About Nothing and King Lear (089-2372 1328). Residenztheate has new productions of peare's The Taming of the Shrew, Ibsen's The Wild Duck and Chekhov's The Cherry Orchard (089-225754)

OSLO

Konserthus Tornorrow, Fri: Eduardo Mata conducts Oslo Philharmonic Orchestra in works by Revueltas, Chavez and Dvorak, with violin soloist Emanuel Borok (2283 3200)

STOCKHOLM

Konsorthuset James Judd conducts Royal Stockholm Philhermonic Orchestra tonioht and tomorrow in works by Frumerle, Bartok, Ravel and Janacek, with violin soloist Kurt Nikkanen. Sat aftemoon: Hagen Quartet plavs works by Haydn, Janacek and Schumann, Nov 7: Itzhak Periman violin recital, Nov 11-20; Penderecki festival (tickets 08-102110 Information 08-212520) Royal Opera First night tomorrow of Knut Hendriksen's new production of La traviata, conducted by Marco Guidarini, designed by Ralph Koltai, cast led by Lena Nordin (repeated Oct 30, Nov 1, 3, 5, 13, 16, 18, 20, 22). Repertory includes Cosi fan tutte. Elektra and Beryl Grey's production of Sleeping Beauty (tickets 08-248240 information 08-203515)

ARTS GUIDE Monday: Berlin, New York

and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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Edward Mortimer



Mr Douglas Hurd should be pleased. For months the months the British foreign secretary has been trying to world to forget

While brilliantly exploiting the presence of British troops "on the ground" to dissuade anyone else from trying to help the Bosnian government defend itself and its people, he has made it clear that in his view sending troops there at all was a rash policy, forced on the government by the media.

Visibly irritated by pressure to take a less neutral line. Mr Hurd has repeatedly mused aloud on the arbitrary spotlight that the media shine on some conflicts while neglecting others. He seems to take a morbid pleasure in enumerating all the other places in the world where wars are going on. "Why bother me with Bosnia." is his implicit message, "when this sort of unpleasantness is really quite normal? Tell us more about Tajikistan, or Georgia, or Angola, where things just as

horrible are happening."

Mr Hurd should be pleased now because, in terms of media almost over. We hear about it mainly in the past tense, as an episode which poisoned relations between Europe and the US during the summer, and which both sides are now trying to put behind the

But it is not over. It is as bad as ever. Sarajevo is still being remorselessly pounded by Serb shells. Its people are down to two or three hundred grammes of food a day (less than half what the UN considers a minimum). Winter is nearly here, but they have no fuel left and precious little shelter. The situation in other supposedly UN-protected "safe areas" is even worse. Thousands will freeze to death before they starve, though in many cases it may

in early August, Nato threatened air strikes if the "stranguletion" and shelling of Sarajevo and other "safe areas" continued. But last week Nato efence ministers met, and air strikes were not even on the agenda. At least they had the honesty not to utter any more empty threats. They did not have to, because Bosnia is no longer headline news.

The precedent for Bosnia was Kurdistan. Television picNo news is bad news

In the absence of TV cameras. victims of aggression can be left to suffer

tures of the exodus from northern Iraq triggered western milljust as film of Bosnian Moslems in Serb concentration camps triggered the "humanitarian" UN operation in Bosnia last year. But the latter has been a feeble affair compared with the former. Saddam Hussein has by and large left the Kurds alone, because military action has taught him to take western warnings seriously. The Serbs and Croats in Bosnia have learnt the exact opposite. Even the Kurdish "safe

Thousands of Bosnians will freeze to death before they starve

absurdly, to UN sanctions directed against Saddam's regime. But the Kurds are not Saddam's only victims. What he has done to the Shia population in the south, especially since the abortive uprising that iromediately followed the Gulf war, is just as bad. But Hurd's Law applied. There were no TV cameras in southern fraq during the uprising, and therefore no serious pressure on western governents to intervene

Very late in the day, that omission was partially rectified last night with the screening on British independent television of a documentary, Saddom's Killing Fields, made by historian Michael Wood. It included amateur video of the holy city of Kerbala, as Saddam's tanks moved in on it. and showed the more recent draining of the marshes into

has destroyed hundreds of vil-lages and the entire way of life of the Marsh Arabs. Saddam used all his usual methods. including, it now appears, chemical weapons.

Mr Hurd is right. Atrocities

are not unique to Bosnia, or even Iraq. But what makes Bosnia and Iraq unique is the specific, undischarged respon-sibility of western powers, including the UK in both cases. The Shia uprising in Iraq was a direct consequence of

the Gulf war. It happened vir-tually within sight of the victo-rious coalition forces, but they did not lift a finger, nor did their political leaders utter a word, to deter Saddam's for from suppressing it. Much later, a "no fly zone" was proed in southern Iraq, but Saddam has been able to con-tinue his ruthless work without using air power. Only the threat of allied action against his ground forces could create a "safe haven" in the south comparable with that in the north. Then a provisional government ernment for both north and south could be established and recognised, which would be a big step towards the liberation of the whole country.

As for Bosnia, it was virtually obliged to declare independence by the EC's recognition of Croatia and Slovenia. But the EC - with Britain in the lead organizing peace conferences and supplying their chairmen - has prevented it from obtaining weapons to defend itself and has extracted concession after concession from its leaders as the supposed price of an imaginary peace. Now there is talk of reconvening the London conference, which last year reached "agreement" on vari-ous principles. None have been acted upon.

No doubt a peace conference will be needed eventually, but right now the Bosnians need a massive airlift of food, fuel and shelter materials to Sarajevo, and convoys that get through to the smaller enclaves. That in turn means that those who want to help must be prepared to use force, from the air or on the ground, against those who themselves use force to pre-

vent supplies getting through. But the west, including Britain, now seems resigned to leaving southern Iraq in the grip of Saddam Hussein, while Bosnia freezes and starves to death. No wonder Mr Hurd is relieved when the media turn

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The special European Council meets on Friday to mark the entry into force of the Mane tricht treaty on November 1. Some people would have us believe that this should be more of a wake than a christening. They would argue that the crisis in the exchange rate mechanism, resulting in August in fluctuation hands of plus or minus 15 per cent, has

set back the cause of exchange rate co-operation and the sin gle currency by many years, if not indefinitely. Such a view overlooks the strong commitment most gov-ernments still have to European monetary union. The extent of this commitment can be seen in the absence of any moves by European govern-

the wider bands by cutting

interest rates and letting their

exchange rates depreciate The temptation to do this at a time of recession is obviously considerable. So why have they not done so? The only credible explanation is that they are still determined to ed to stage three of Emu and the creation of a single currency, and that this approach is indivisibly associated in the minds of governments with maintaining priori-ties as close as possible to their old, narrow 2.25 per cent fluctreation hands.

There are, however, dangers in sticking to this policy. The longer that monetary policies remain too tight for domestic economic recovery to take effects on the economy. In turn, the longer recession lasts, the greater the reduction. in demand for currencles of stagnating economies. Moreover, in most European countries, budget deficits are high, leaving governments little room to manoeuvre their economies out of recession by stimulating demand. The time is therefore right

for some policy rebalancing towards looser monetary and tighter fiscal policy, with two crucial provises. First, monetary policy should only be loosened in those countries where it is so tight, in relation to underlying economic circumstances, that it can be loosened without any risk of fuelling inflation. Second, policy moves in this direction should take place in the context of a Buropean consensus on the extent and manner in which it could be done. It would, of course, still be up to each country to decide whether and how it

wished to take such action.

For governments to adopt

Sir Leon Brittan argues that EC convergence can be achieved without narrow ERM bands

Time to retune for Emu harmony

such an approach, they will have to be persuaded that attaining Emu does not depend on sticking as closely as possi-hle to the former narrow hands. They will have to be persuaded that it is possible to have a sound monetary policy without relying exclusively on the external anchor. It will also mean overcoming the fears in many quarters about the dangers of excessive volatility if member states decide to use their new freedom to permit substantial movement in exchange rates. This could damage the single market in factured and agricultural goods as well as economic co-operation between member states. This is why any greater flexibility must be exercised within an agreed framework, which would not encourage competitive devaluations but only permit interest rates to be lowered where domestic monetary conditions justified it.

Friday's Council meeting provides an opportunity for such a framework to be put in place, and for the road to Emu to be redefined in a way that takes account of changin cumstances and that will also help a number of economies to move out of recession.

As a minimum, the Council must agree on the site of the European Monetary Institute, which will oversee stage two of Emu, and appoint its head. But this is not enough: it would enable Europe to comply only with the letter of the treaty, not with the spirit, and would not represent a move closer to a single currency in itself. Heads of government therefore also need to encourage the sort of changes in European economic management, which I have outlined, to take place.

They should not just restate their commitment to Emu, but take action to make it more likely. They should use the fact that stage two of Emu begins in January to strengthen poltion for the wider bands. The Maastricht treaty establishes that it is a key task of the BMI in stage two "to strengthen the co-ordination of the monetary



the aim of ensuring price stability". It also says that member states shall regard their economic policies as a matter of common concern and should co-ordinate them.

The European Council should therefore commission from BC economic and finance ministers (Ecofin), for the December summit an outline economic strategy for member states and the Community as a whole, which provides enough flexibility to allow member states to rebalance their policies as necessary, while also reinforcing their co-operative

Ecofin could help this to happen by agreeing an overall target inflation range. Member states could then express this in terms of individual money supply growth limits which would act as an intermediate target in place of the exchange rate. ERM participants will

then find in many cases that their present rate of monetary growth will justify muchneeded interest rate cuts, without injecting inflationary pressures into the economy.

This regime has a number of advantages, notably flexibility, since each member state will be able to follow the monetary targets it considers mos appropriate, within the agreed overall discipline. Additional discipline will stam from the fact that the RMI, alongside the council, could provide a forum for discussion which would belp to add further credibility to the pre-announced targets. In many ways this sort of scrutiny would be a natural extension of existing arrangements for submitting conver-

gence programmes. Nonetheless, fears about exchange rate volatility and the impact that could have on intra-EC trade are not to be

able that member states should able that member states should not want to trigger such volatility by interest rate cars, but it is far from clear that exchange rates will move more erratically as a result of looser but informally co-ordinated monetary policy. Interest rate actions would once again by taken on the basis of a publicly announced anchor. And the maintenance of the present informal policy of sticking close to the old narrow bands is not likely to be a permais not likely to be a perma-nently viable option.

This alternative that I sug-

gest would mean that there would probably be changes in the current central parties within the ERM. But, quite spart from the fact that that would help some countries to move out of recession, it would move out or recession, it would paradoxically bring Emu nearer, rather than push it further into the distance. In the first place this approach should first place this approach would promote closer monetary and economic policy co-ordination, which is an essential prerequisite for the move to Emu. But m addition the new parities that would emerge from such a policy would be more firmly based on economic fundamentals than the present ones. As such, they could be more sta-

They would also lend themselves to an earlier return to parrow bands if that is desired, although a return to the narrow bands should no longer be # seen as a necessary precondi-tion for the final move to a

single currency. Before the recent upheavals it seemed reasonable to regard the gradual freezing of ERM parities as the best way of achleving Emu. But the principal lesson to be derived from the upheavals is that we were putting greater weight on the KRM than it was ever intended to bear or was capable of bearing. The ERM was intended by its founders to bring shout greater stability but not to prevent realignments when changes in economic circumstances rendered this neces sary. The use of an ever more rigid ERM as a way of forcing convergence was tempting but in retrospect doomed to failure. Convergence must be attained by other means. This will in time lead to more stable exchange rates, based on eco-nomic fundamentals and, in due course, for those countries that are ready, the move to a and implemented directly, without the ertificial prop of years of a nerrow-band ERM.

The author is the EC trade

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL.

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Relief of determine aid

From Mr Marcin Griffiths.
Sir, The distorting impact of foreign policy on Britain's aid ("Logic was no match for foreign policy", October 22) comes as no surprise to those of us who recall the government's explicit intention in 1980 to "give greater weight in the allocation of our sid" to political considerations.

In the Reality of Aid report earlier this year, NGOs working with the world's poorest communities noted the World Bank estimate that 40 per cent of world aid was diverted from poverty reduction to middle and high-income countries 'largely for political purposes"

The Overseas Development Administration has recently taken a number of important steps to increase its focus on poverty. The forthcoming European Community council of development ministers will consider a proposal to increase the poverty focus of EC aid. initiated during the British

presidency.
The record shows that, when the ODA is able to make poverty the priority, British aid can be very effective in areas such as humanitarian relief. The strong and consiste port of the public for UK aid targeted on poverty reduction was echoed in a June 1983 Actionaid/Gallup Survey, which found 87 per cent of MPs wanted more attention to be given in this category of spend-ing to aid for basic needs.

The National Audit Office report shows that the diversion of British aid for foreign policy purposes serves neither the interests of the poorest nor the taxpayer, nor indeed Britain's long-term commercial and political security. The government should end competition between the developmental political and commercial interests in aid by stating explicitly (in line with the World Bank) that sustainable poverty reduc-tion must be the primary deterant of British aid spending and the benchmark against which its success is evalu Martin Criffiths, director,

Actionaid

Misguided DTI thinking Democratic poverty should on attracting investors

Prom Mr Graham Stringer.
Sir, Having injured Manchester by withdrawing the assisted area status so vital for

gaining investment, Tim Sainsbury, the industry minister, has added insult by suggesting to the Association of Metropoli tan Authorities that cities should stop promoting them-selves abroad. He wants them to subjugate themselves to regional development organisa-

He wrote to the association on July 19, saying: "It is far better for local interests to concentrate on getting the product right, by the provision of suitable sites and infrastructure. so that they can convert inves-tor inquiries into local success, and to contribute to the overall regional message put out by the RDO."

This would be an outrageous limitation, particularly when the government's inward investment campaign is under fire for stressing Britain's low wages rather than the positive advantages of our main cities. Most of Manchester's foreign investment flows from local strengths and local enterprise US cinema giant UCI, for exam-ple, has taken office space in Manchester because of the Angeles. And no doubt cities such as Liverpool and Birming ham could cite similar cases. Meanwhile, the Department of Trade and Industry's Invest in Britain Bureau is not bring-

ing home much becon. Not one of the hundreds of cases handled by the bureau last year resulted directly in a company coming to Manchester. Mancester City Council reme

its own Manchester Campaign with Manchester Airport and the Central Manchester Dével opment Corporation, and its business promotion brochure has already sparked invest-ment interest in Japan, the US and Europe. These same inves-tors find it bizarre that the government's promotion machine has nothing to say about Manchester.

Britain's great cities need to advertise their strengths. abroad. And until the government understands the importance of these cities to the nation's economy, that economy will remain weak. As weak as Mr Sainsbury's ideas on the subject. Graham Stringer,

leader of the city council, Town Hall, Manchesier M60 2LA

Time for a long overdue change From Mr Michael ment attempt to erode Lon-

Henderson-Begg Sir, Once again we have put our clocks back to British win-ter time and face darker evenings, more road accidents involving children and time disalignment with the rest of Europe.

and falling transport infra-structure investment, this appears to be another govern-

don's standing as Europe's main financial centre. Has the time not come for our clocks to be permanently aligned with those of almost all of western Europe, namely central European time? Michael Henderson-Begg 66 Westbury Road, New Malden,

credentials in South Africa city's airport link to Los

From Mr Anthony McCall-Judson

Sir joe Rogaly's assessment of the South African scene dis-played some familiarity with the subject. But his lofty asser-tion that the newly formed Preedon Allisuce's leaders (inkathe, Conservative party, Arikanar Volksfront, Bophu-thatswans and Ciskel) have poor credentials as democrats cannot pass without

L will not attempt to claim that Africa produces state of the art, western style demo-crats. But as many well-informed South Africa correspondents, human rights campaigners (including Helen Suzman) and political commentators have observed, the two most blatantly undemocratic organisations in South Africa are the ANC-South African Communist party alliance and the ruling National party. It is difficult to determine which of them has the more shameful human rights record or which, in the past, had the firmer resolve to squash free speech or criticism.

Many now feel the ANC-SACP alliance is the greater offender, since left-wing "cen-sorship" is now so virulent. Either way, one wonders what on earth Joe Rogaly is trying to say. He cannot be implicited to say. He cannot be implying that Nelson Mandela's or President F W de Klerk's democratic credentials are impressive, can he? They are both good public relations men, not democrats. Anthony McCall-Judson head of public affairs,

by House, 33|37 Regent Street, London SW1Y 4NE

Pensioners and their needs will not go away

From Mr Richard Thomas. Sir, John Willman ("Welfare versus wealth of nations", October 25) is right to identify the challenge to policymakers of an ageing population. But he seems to have fallen into the same trap as many govern-ments, which think washing their hands of the problem by reducing state provision -

will mean it goes away. Pen-

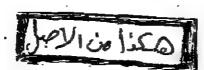
aioners will still be there, even if they do not all appear on government accounts. I am agnostic on the public/ private divide. Ends are more

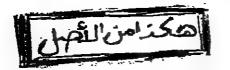
important than means. Pension provision should be efficient, equitable, comprehensive and equitable, comprehensive and research jenous secure, and whicheves mecha. Institute for Publishers serve these objectives Research, best should be employed.

But, whatever their role in London WCE RES

and the property for a

terms of actual provision, govrems or actual provision, governments must ensure these objectives are mst. New mechanisms, and to be encouraged. Abandoning the principle of public assponsibility is not. Richard Thomas, research fellow, Institute for Public Policy





FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday October 27 1993

Canadian landslide

"FIRST-past-the-post" electoral system can produce bizarre results when more than two parties get significant shares of the vote, especially if some of them have supporters scattered throughout the country while others have solid regional strongholds. Witness the fate of the Progressive Conservative party, which until yesterday formed the government of Canada but now finds itself reduced to a mere two seats in the House of Commons. Unquestionably, the Conserva-

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The same of the sa

tives would have lost the election under any system. Yet they actually won a larger share of the total vote than the Bloc Québecois, which with 54 seats will now form the official opposition, and about the same share as the Reform party which won 53 seats, almost all in the western provinces of Alberta and British Columbia. it would therefore be wrong to

take the apparent annihilation of the Tories at face value, or to assume that it will be permanent. They retain control of two provincial governments and half the seats in the upper house. They remain the natural political home of Canada's business elite, and the only party which can credibly present itself as a nationwide alternative.

Ms Kim Campbell, the outgoing prime minister, who lost her own seat, cannot escape responsibility for her party's debacle. No doubt the main factor was Canada's floundering economy, with unem-ployment at 11.2 per cent. But Ma-Campbell succeeded by an inept campaign in turning defeat into headlong rout. Since one of her main blunders was to warn that unemployment would stay high until the end of the century, the sad lesson is that democracies do not reward leaders who tell them

Familiar dilemma

unpalatable truths. ...

The incoming Liberals present themselves as economic "pragmatists" somewhat in the Clinton mould. Mr Chrétien is pledged to create jobs by pumping money into the economy, but his room for manosuvre is limited by the markets. The federal deficit is already ing particularism that would risks increasing it by any signifi-cant fiscal stimulus it will either work through Ottawa. European have to increase interest rates or spectators should feel at home.

let the dollar slide. It is a familiar dilemma, which will probably make for less spectacular changes in economic policy than electoral rhetoric suggested.

Similarly, not too much should

be made of the danger to the North American Free Trade Agreement. There is a strong free-trade wing within the Liberal party, which would not be happy if Mr Chrétien risked scuppering the treaty with unrealistic demands for renegotiation. He will no doubt ask for "clarification" on certain issues such as antidumping and dispute-resolution. Perhaps he will even take a leaf out of Mr Clinton's book and ask for one or two symbolic "side agreements". But the fate of the treaty as a whole will be decided not in Canada but in the US Con-

Firmly committed .

Most interest will focus on the constitutional consequences of Monday's vote. It is certainly not an outright victory for separatism. The Liberal party, which won seats in all 10 provinces, is if any thing even more firmly committed to the federation than were the Conservatives; and the victory of Mr Lucien Bouchard's Bloc Quebecois (BQ) in Quebec should be seen as an expression of protest rather than a settled determina-

tion to secede. More ominous, perhaps, is the victory of the Reform party in the west, reflecting in part a mood of exasperation with Quebec's insistence on special treatment. The Liberals may feel they have to cater for this mood by a more rigid federalism, which in turn would provide the BQ with new grievances to play on. Mr Bouchard could yet be propelled into independence on a wave of English-speaking impatience. All in all the result reflects the

worldwide reassertion of national or communal identities in the face of globalising economic and cul-tural trends. The Liberal victory is in part an expression of Canadian nationalism, faced with the eco-nomic dominance of the US, witle the BQ represents a French-speak-

r Rob Holland is a superintendent construction com pany. He and his work crew recently spent a month dangling on scaffolding beneath the Brent Bravo oil platform in the North Sea, weldside. The beam was so heavy that it had to be split into five sections and

manhandled into position with block and tackle. The work was the start of what is likely to be one of the most ambi-

tious engineering projects under-taken in the North Sea.

Shell and Esso, joint owners of the 17-year-old Brent field, the larg-est in the UK sector, are trying to extend its life beyond its 1996 expiry date with a £1.3bn project to re-pressurise the wells and modernise three of its four production plat-

According to Mr Walter van der Vijver, manager of the Brent fields in Aberdeen, this plan — if it works — should add 10 years to Brent's life and enable it to produce additional oil and gas equivalent to the output of a small to medium-sized North Sea field. He describes it as "midlife crisis work.

The Brent project is a striking example of what many see as a new stage of life for the North Sea. With more than a quarter of a century of production behind it, its installaions are showing their age and forcing oil companies to decide whether to invest in extending their lives. Mr David Black, who analyses North Sea developments for Wood Mackenzie, the stockbroker, says: "There is a realisation now that nome fields which have been around for some time still have useful life

Decisions are being influenced by a number of factors. The most pressing is the weak oil price, now close to its lowest point in real terms since North Sea production started, which is prompting greater financial rigour.

In spite of the substantial cost of redeveloping Brent, Shell believes that it will yield significant gains in efficiency: manpower offshore will be reduced by up to a half which, in turn, will sharply reduce the cost of servicing and supporting platforms. Shell calculates offshore labour costs at 260 an hour. According to Mr Van de Vljver, the Brent plan has been successfully tested against oil at \$15 a barrel, compared with its current price of \$16.30. "And even if it fell to \$12, we'd go ahead,"

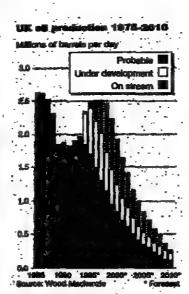
Unfortunately, the characteristics of Brent oil are unique, so other fields cannot be given the identical treatment. But rapid advances in technology and greater cost-awareness have opened up other pros-

A different technological approach was adopted at Scott, a onshore where costs are a fraction

be idea of a limited iden-

Oil groups are launching costly schemes to refurbish their ageing offshore platforms, writes **David Lascelles**

Mid-life crisis in the North Sea



new field which came into production earlier this year. Cost savings were achieved by pre-drilling the wells and locating as much well-head plant as possible on the sea floor rather than on the platform. This enabled Amerada Hess, the US operator, to complete in only four months start-up work that would normally have taken more than a year, and will lead to reduced man-ning, according to Mr Rex Gaisford,

director of projects.
In some fields, manning reductions are being taken much further. Shell is planning to reduce the number of men at its giant Leman gas field in the southern sector of the North Sea from more than 100 to only a handful by 1996. It has also commissioned a study from Kvaerner, the Norwegian offshore constructors, for a new type of platform that would be unmanned, and would only need to be visited by a

support vessel once a year.
Although new seismic techniques
and sophisticated drilling and oil recovery technology tend to attract the most attention, one of the most significant advances offshore was the development of floating cranes, capable of lifting loads of more than 10.000 tonnes in one go, compared with 1,000 tonnes previously. Thanks to floating cranes, installations containing complex plant and machinery can now be assembled



New wave: the Brent Bravo oil platform, which is undergoing an overhaul

of those offshore, and then floated out and lifted onto the platform. Cost consciousness has even forced changes in the relationship between North Sea platform operators and their contractors - traditionally an area where the oil companies kept the benefits of greater efficiency to themselves, excluding others from sharing in them.

In what is likely to be a pioneering change, the operators and contractors in the newly opened Hyde gas field formed a partnership where any savings in development costs were shared out among the five members. Normally, the operators would hire the contractors at a fixed rate, which gave them an incentive to make a high-priced ten-

der for the work. Mr Chris Rhodes of BP, one of the two oil companies involved (the other being Statoil of Norway), says: "We felt there was something to be gained from a different relationship with the contractors, one that would take costs out rather than take them in." There was scepticism in the industry that the site of its ill-fated predecessor.

experiment would work, but Hyde came in 25 per cent below its £50m budget, and Mr Rhodes estimates that three-quarters of these savings were due to the arrangement. According to estimates by Wood

Mackenzie, new technology and organisational methods have halved production costs in the North Sea. At old platforms these range between £3.50 and £5.50 a barrel, at new ones only 23.50.

Shifting patterns in energy use, particularly the growing popularity of natural gas, have also played a part. Once flared off as a useless by-product, gas is now making marginal fields viable, and is likely to overtake oil as the North Sea's leading product within the next 10

The other factor shaping developments is the attention to safety since the Piper Alpha disaster in 1988, in which 167 men died. This greater focus on safety is reflected at the newly opened Piper B platform, which stands less than half a

Compared with the untidy jumble of older platforms, Piper B has a sleek, space-age look. Its most draium lifeboats jutting out of the side, ready to nosedive 80ft into the sea in an emergency. The platform lay-out puts personal living quarters at the opposite end from the oil and gas facilities – and shielded by fireresistant walls.

The platform cost £1.5bn. But its sophisticated controls mean that operating costs will be lower than Piper Alpha's - as little as £2.50 a barrel, according to Mr Michel Romieu, chairman of Elf Enterprise Cal-

edonia, the operator.
But this willingness to invest achieve long-term savings is relatively new to the North Sea. Dr Chris Fay, managing director of Shell UK, says: "We used to mea-sure things by their capital cost, now it's by their lifetime cost." This change has had a profound influence on planning, and means that new equipment in the North Sea is of higher quality - the extra cost being justified by the fact that it should last longer.

further stimulus to this growth was the govern-ment's decision in the last Budget to change the way North Sea oil is taxed so as to give greater incentives to production rather than exploration, reflecting the view that all the big fields have now been found. Although much of the redevelopment work, including Brent, was launched before the change was announced, there is now a stronger incentive for the owners of the largest fields to invest in

extending their lives.

According to the latest estimate from Scottish Enterprise, the economic development agency, some 240bn is likely to be invested in UK North Sea oil production over the next four years, including the devel-opment of 70 new wells. This will help output from the sector to rise to a peak of 2.48m barrels a day in 1985, up from some 2m this year, although after that it will start tailing off as fields dry up.

Mr John Browne, chief executive

of BP's exploration division, told the Offshore Europe exhibition in Aberdeen last month that BP would be raising its investment by 10 per cent over the next three years. He expects to see his own company's UK production rise by more than 6 per cent as a result.

Mr Browne forecast that new

technology and cost reduction could increase North Sea oil recovery by as much as 25 per cent, from 60bn barrels to 75bn (to date some 12bn have been extracted). Other oil executives found those figures overoptimistic. But they do not disagree with the implication that the North See should manage to stave off old age for some years yet.

A nationwide identity card scheme in the UK need not discriminate, argues Ian Davidson

How to pluck the geese

adjustment, beyond that left behind by Mr Norman Lamont, is indeed required. How should he go about it? How far, in particular, can he rely on cuts in public spending, rather than increased taxation?

The answer is that he will be forced to rely on taxation. As the Green Budget from the Institute for Fiscal Studies demonstrates, the government would be doing well even to keep to its announced targets for public spending. This is so for three reasons.

First, on the government's forecast of inflation, the real growth of the new control total, which covers supposedly non-cyclical public spending, is set at less than 2 per cent in each of the next four financial years. This is less than the growth of total public spending in the recovery years of the last cycle, even though Mrs Margaret Thatcher was then in charge and the government's majority

was much larger. Second, most of the programmes that were easy to cut have already been severely trimmed. Thus 72 per cent of general government expenditure is now accounted for by social security (29 per cent), health (15 per cent), education (12 per cent), defence (9 per cent) and debt interest (7 per cent). Debt' interest is bound to rise. Defence spending is already set to fall to just over 3 per cent of GDP by 1995, well below previous levels. Any "cuts" elsewhere are likely to be absorbed in those self-same programmes. In the case of health, for example, present plans are for increases in real spending of 1 per cent a year. Such a low rate of increase is virtually inconceivable.

Manifesto commitments Finally, some important programmes are protected by mani-festo commitments: to increase the level of real resources in the National Health Service year by year, for example, and to preserve

child benefit. This does not mean that it would be impossible to cut public spending, even drastically. But it would be possible only if the government were to make radical changes in politically sensitive areas. With Mr Major as prime geese will hiss. But he has no pruminister and Mr Clarke as chandent alternative. They will have to cellor, that will not happen, bar be plucked once again.

SUPPOSE THE UK chancellor the far from inconceivable onset decides that a further fiscal of an overwhelming fiscal crisis. For the moment at least, adjustment will have to come on the side of taxation. This "political" chancellor is likely to see the desirability of announcing the bad news now, even if additional taxes are once more to come into affect in future years. He will want to introduce measures that are nei-ther too visible nor too inflationary. He will also want measures that can be presented as part of a destrable fiscal reform (though Mr Lamont's attempt to portray VAT on fuel as an environmental measure was notably unsuccessful). Ideally, the chancellor would in fact have radical reform in mind, though there is little reason to suppose he does.

Splashy ways

If good performance of the economy were to allow announced tax increases to be "given back" in subsequent years, the chancellor could always oblige. He would want to do that in splashy ways. What would be most undesirable would be for increases in distorting, but less visible taxes, such as national insurance contributions, once again to be used to finance cuts in less distorting, but more visible taxes, such as income tax.

The Green Budget notes many ways of raising revenue. The tax value of personal allowances. could, for example, be restricted to the 20 per cent rate, which would raise 25.7bn; allowances and thresholds could be frozen at current real levels, which would raise £1bn; mortgage interest relief could be phased out; which would raise £300-£40n; advance corpora-tion tax and the tax repayable to tax-exempt shareholders could be reduced from 20 per cent to zero, which would raise £3bn; and stan-dard rate VAT could be imposed on zero-rated goods (excluding housing), which would raise £10.7bn (but increase consumer prices by 3.7 per cent), while a 5 per cent VAT would raise £3.1bn.

None of these options would be popular. Some would be both unpopular and retrograde. Restrictions on allowances and thresholds would probably be the least

painful and the least damaging. Whatever Mr Clarke does, the

tity card scheme, now being considered by the UK government as a possible way of combating social security fraud, has provoked a chorus of protests from the civil liberties lobby. It argues, quite rightly, that any such scheme would be discriminetory. Moreover, if such a scheme were to have any chance of being effective in defeating social security fraud, it would have to intrude on the freedom and the privacy of the individual on a horrendous scale. But the libertarians make a mis-

take when they go on to argue that the case against this particular scheme is only a limited version of the much larger case against a generalised system of national iden-tity cards. On the contrary, the lib-ertarians grossly overstate the threat to individual liberty which would necessarily be posed by a national identity card, and under-state the offsetting benefits that it might confer.

Above all, it seems slightly eccentric to attribute so much virtue to the absence of a system of documentary identification, when there

Absentee

Suspicions that the Balladur

government is cooking up a sternly protectionist policy towards the Uruguay trade round were only confirmed at Chatham House

yesterday when Alain Lamassoure-

French European Affairs Minister,

who was due to address the foreign

policy think tank on the future of the European Community, failed

Full of the die-hard protectionism

of the old days, the speech was all

to appear. It fell to the French

ambassador, Jean Guiguinou, to read out the test on his behalf.

the more astonishing because Lamassoure is not merely not a

centre-right UDF group - but is generally known for his modern, liberal views. Yet the audience

outside countries more than

European firms".

in person.

Party on

learnt how the single market had unfairly "benefited companies from

"Europe alone can uphold the rules of fair competition that world

trade needs, and which the so-called

free traders of America and Japan

preferred not to deliver the speech

oppose." No wonder Lamassoure

Is Slivio Berlusconi about to

form a political party? Judging by

Gaullist - he belongs to the

policy

Taking no liberties

are so many, much larger, defects in our political system which limit the rights of the individual, starting with an unrepresentative electoral The discriminatory nature of the

scheme being considered by the government is obviously its biggest drawback. But even if it were limited to the original purpose of fight-ing social accurity fraud, its admin-istration would be immensely cumbersome; not just because many millions of people would have to be issued with cards, but because the scheme would have to take account of the fact that a significant propor-tion of them would be constantly floating in and out of the social

Even if these practical problems were overcome, a simple iden-tity card would not solve the probm. Much of the 25bn reportedly being defrauded from the social security system is not the result of mistaken identity, but derives from the fact that claimants tell lies

Italy's media, or that part which

he does not control, Berlusconi

has already taken the decision to enter the fray. Proof, if anything

so mundane were required, has

een seen in a string of speeches

offering prescriptions on the state of the nation. More titiliating were two interviews in his publications, one with Berluscool himself, the

other with Mario Segni, the leader

of the referendum movement. Both appeared to voice identical views

on the need to modernise politics,

Yesterday Berhisconi was trying

to pour cold water on his political ambitions, they merely existed in

the pages of newspapers, he averred. Seeing he controls 35 per cent of commercial television, he is certainly in an excellent position

to back whomever he pleases at the next elections.

■ It seems that time is not healing

Major sacked his former chancellor

the wounds inflicted when John

Last night the prime minister

hosted a farewell dinner at No 10

England governor Lord Kingsdown

and his wife. Among those invited,

for the recently retired Bank of

naturally enough, were the full

complement of former chancellors

with whom the then Robin Leigh

Pemberton worked during the 1980s.

Lord Howe accepted gracefully.

shape up the bureaucracy, and

privatise furiously.

Regrets

and the second second of the second s

about their circumstances Any identity card which was likely to be useful in preventing that kind of fraud, therefore, would have to be a smart card, which has large amounts of updateable information about the private circumstances of beneficiaries, including their work, income and family.

Both sides of transactions have an interest in being able to establish an individual's identity

Such a card would obviously constitute an outrageous intrusion on the privacy of the individual. Moreover, the political inspiration

of the idea rests at least in part on the illiberal sentiments of the rightwing of the Conservative party. The law-and-order mob within the party cannot be counted on to defend

other people's liberty.

The second half of the libertarians' argument holds a good deal less water than the first. It is not at all obvious that the absence of an identity card system provides the British subject with civil protections that are not available to the

citizens of France or Germany. On the contrary, it seems obvious that these protections lie elsewhere, in the political system, in the civil society, in the framework and application of law. If our liberties are threatened, it is primarily because these other facets of the social fabric are defective.

The absence of any recognised form of identity is an anachronism which harks back to some mythical, bygone era when society was purely composed of private individuals. The reality today is a mass society where everybody has frequent, mul-tiple and almost unavoidable transactions with different parts of the state system, and in which both

sides of those transactions have an

interest in being able to establish the identity of the individual. The libertarians try to scare us with the danger that a menacing police force would constantly be stopping peo-ple to check their identity cards, but this is just a trumped up bogey. In five years in France I was not once stopped on the street for an identity check, and I never met anyone who was.

In place of this bogoy, there may be other cases where an identity card system might actually improve the quality of civil society. Young blacks who could easily prove that they were born in Britain and were not illegal immigrants might be better protected against police harass-ment; and the rest of us might be better off if Irish terrorists found it more difficult to remain underground. For either of these benefits, I should gladly be prepared for the trivial inconvenience of being required to admit to my identity.

A discriminatory identity card should be unacceptable on civil lib-erty grounds. But a national identity card system is much less objectionable, and might even offer compensating advantages.

OBSERVER



Tm moving out of left-handed flances into raves

while Lord Lawson conveyed his apologies, explaining he would be travelling in South Africa. Lamont. according to Downing Street, simply made it clear that under no circumstances would be sup at Major's table.

Time, gentlemen

■ Spotting that the London Stock Exchange news service, which the Financial Times receives via a direct feed to its Reuters terminal was offering unusual opportunities for insider trading, Observer rang

the exchange.
The fact that ennouncements

timed 11.15 am were arriving at 10.15 am was not the market's fault, sniffed an official who confirmed that its electronic clocks had most certainly been wound back to Greenwich Mean Time over the weekend. The query was referred

"The time codes on your terminal are user-configurable," the global information services company pointed out helpfully, which roughly translated means that you are supposed to twiddle a knob to tune in with whichever of the world's umpteen time zones you happen to be in.

"People forget we are not just in the business of supplying systems to Surbiton," an unsympathetic Reuters spokesman adds.

Match point

The demise of brand-name consumer goods at the hands of generic brands may be on every marketing guru's lips these days, but the response by Kellogg's and Coca Cola to the Toronto Blue Jays' victory in the World Series bas championship shows that the old brand-name giants have not

altogether lost their touch. Within minutes of the Blue Jaya hitting the winning home run at midnight last Saturday, the two companies' Canadian subsidiaries were pulling out the stops to bring out special "commemorative" versions of Rice Krispies packets

and Coca Cola cans. Kellogg's plant in London, Ontario, worked all day Sunday to print special Rice Krispies boxes with a congratulatory message to the Blue Jays, embellished with highlights and statistics of the 1993 season. The first of 120,000 cartons were on supermarket shelves soon after lunchtime on Monday. Coca-Cola had designed its special

World Series cans long before the final game. All that remained was to emboss the score, together with those of the previous five World Series games, on the side. The first of 3m cans was filled on Sunday. Both companies expect their "limited editions" to sell out within a week or two. But how many cereal eaters or cola drinkers will transfer from rival brands?

Titular head

■ Heading the list of the 93 public service organisations receiving the prime minister's award for excellence in delivering public services is the Aberdeen Royal Hospitals NHS Trust

Among the improvements it has instituted as a result of "patient/ user" feed back is the re-introduction of the title Matron And what was the incumbent called before? "Director of nursing services and quality" says a

hospital spokesman. All that award-winning work notwithstanding, "lots of patients hadn't realised what that was".



Qatar agreement expected in six weeks

Israel to set up energy deals with Arab states

By Julian Ozanne in Jerusalem

ISRAEL says it is in the process of agreeing multi-billion dollar energy projects with Arab partners which will revolutionise its domestic energy sector. It claims ing point in the economic relations between Israel and the Arab world.

Israeli officials and businessmen say Israel will sign an agree-ment with Qatar within the next six weeks to start work on a \$1.8bn natural gas project which involves the supply of natural gas to Israel and the use of Israel as an export terminal for Qatari gas across the Mediterranean to

The project was said to have been agreed during secret talks in New York and Qatar in August and September followed

by three meetings in Israel. Qatar, which has not confirmed the deal, could face regional hostility to any such agreement, in particular from fran. Ten days

ago the two countries formed a East" where Israel will emerge as joint committee to liaise on the development of oil and gas projects. Iran remains bitterly opposed to Israel and to the peace deal struck with the Palestine Liberation Organisation.

At the same time, the Israeli Merhav group of companies, owned by Mr Yossi Maimon, said it had agreed a \$950m joint venture with a private Egyptian company - the biggest Israeli-Arab joint venture by far - to build an oil refinery at the Egyptian free trade zone of Alexandria. The project is said to have been authorised by the Egyptian national investment authority.

Both projects, which are dependent on favourable feasibility studies, have been the subject of secret negotiations for months but were accelerated by the Israeli-Palestinian outline peace agreement signed in Washington last month.

Israeli officials and businessmen say the two projects mark the beginning of a "New Middle a business partner and a regional centre for Arab trade to Europe. According to Israel, Qatar has

ledged to supply the Israeli market with natural gas for 25 years. Israel needs 6.7m tonnes of oil equivalent a year to convert its electricity generation from coal and oil to gas.

Qatar is said to have agreed to pay \$1m for a feasibility study. One option is to build a gas pipeline from Qatar to the Israeli port of Ashkelon, where Qatar will also construct a gas liquefaction plant. Another possibility would be to ship gas to the Israeli Red Sea port of Eliat and then by pipeline to Ashkelon.

Mr Moshe Shahal, Israel's energy minister, has refused to name Qatar as the country involved. But he has said Israel was approached by a Gulf Emirate which is the world's second largest natural gas producer and that a team of experts from that country visited israel secretly to

City arbitrage dealer defies UK recession to earn £9m

By Tracy Corrigen in London

EYEBROWS may be raised in Downing Street if heads of industry earn more than one million pounds. But in the recession-defying City of London at least one man has dwarfed these sums.

Mr Kaveh Alamouti, a dealer at Tokal Bank's London operation. is believed to have earned a cool £9m (\$13.6m) last year probably making him the highest paid trader in Europe.

The sum puts him in the same league as Mr Peter Wood, founder of Royal Bank of Scotland's Direct Line insurance operation, who earned over 26m in the year to September 1992. and is thought to be on course to earn more than £10m in the financial year just ended.

As head of arbitrage trading Mr to make money across all finan-

uncovered by public prosecutors

The plan proposes that open

bidding will be allowed for pro-

jects above specific thresholds, in

contrast to the present system in

which only companies designated

by procurement authorities can

tender, a prime source of corrup-

The plan does not specify the

threshold above which projects

will be available for open bid-

ding, expected to be set at around

Y700m. say officials. Until now,

over the past few months.

cial markets, dealing in complex derivative instruments such as options as well as in bonds and

Arbitrage trading takes particularly strong nerves: as much as \$50m of the bank's own money can be pitted on a single trade.

Mr Alamouti was lured away from Salomon Brothers, where he was a top arbitrage trader, in 1990. He joined the US investment bank's research department in New York in 1983 as an analyst, before becoming a trader on Salomon's legendary fixed income arbitrage desk there.

Mr Roger Livesey, deputy chairman of Tokai Bank, and Mr Alamouti last night both declined

Arbitrage traders are particularly high earners, even by the

generally high standards of the

Japan has insisted on a threshold of Y1.5bn. The new proposal

would bring Japan closer to the

\$4.5m per contract threshold pre-

Foreign bidders would be

assessed on technical merit,

rather than, as now, on their

inevitably skimpy record in

Japan, Mr Kantor said: "Today's announcement indicates for the

first time that the government of

Japan is determined to bring

about important reforms in its

public sector construction mar-

ket, including improved access

ferred by most Gatt members.

George Soros, the Hungarian born hedge fund manager, earned more than \$650m last year. The bond market rally and currency market volatility of the last

two years have proved extremely favourable for skilful arbitrage Although other traders stressed that Mr Alamouti's pack-

now top the earnings tree on

Wall Street. According to Finan-

cial World, a US magazine, Mr

age is exceptional, the lobs market for traders with strong technical skills, such as derivatives traders, is booming. Tokal's annual report for the

year to December 31 1992 shows that a director of Tokai Capital Markets earned £7.6m and a director of Tokai Bank Europe earned £1.4m. It is believed that both these figures refer to Mr

US puts off sanctions against Japan for foreign firms." He welcomed the reforms and viewed them as part of prime minister Mr Hosokawa's "call for change throughout the Japanese economy and

> Public prosecutors yesterday arrested one of the most senior figures in the construction industry scandal to date - Mr Shinji lyoyama, a vice-president of Kajima, Japan's most politically influential and second largest contractor.

> He is suspected of paying a Y20m bribe to a prefectural governor, to obtain a contract.

FT WORLD WEATHER

French union strike

By John Ridding in Paris

FRENCH UNIONS yesterday trial action at Air France to other

Yesterday's protests, referred to as a "Black Tuesday" by the French press, were the broadest action yet in the eight-day strike by Air France ground staff.

Air France pilots and cabin staff, and union members from the national carrier's domestic airline and the Paris airports authority joined the ground staff in a 24-hour protest in spite of government concessions on a controversial austerity plan for

Mr Marc Blondel, general secreunion groups which has spearheaded the protest at Air France, said the government's decision on Sunday to withdraw an aus-

the leftwing CCT union federation, said the climbdown at Air France represented a test case for the public sector.

The trade unionists' comments.

however, came amid signs of division over whether to continue the industrial action at Air France, raising the prospect that the strike may have reached its peak. Force Ouvrière called on its members to suspend the strike from today, although it warned it would not hesitate to call new action if necessary.

A spokesman for the CGT. however, said its members would continue their protests until they received government guarantee that members would be fully paid for the period of their strike and a written commitment that there would be no job cuts.

The austerity package which was withdrawn by the government at the weekend included 4,000 job cuts by the end of next year and a reduction in overtime pay and bonuses. Mr Bernard Bosson, transport minister, has said that the job cuts are still necessary but that they can be achieved without sackings.

France to cancel all flights to and from Paris, adding to the group's financial problems. The company estimates the strike is costing it

no serious disruption, according

threatens to widen

threatened to extend their induspublic sector groups following a show of strength which paralysed the airline's flights to and from

tary of Force Ouvrière, one of the terity plan for the airline had set a precedent. Protests would be launched against job-cutting plans at other public sector com-panies, he said, citing Groupe Bull, the lossmaking computer

Mr Louis Viannet, leader of the

Yesterday's disputes forced Air

FFr/0m (\$12.4m) a day in lost rev-Foreign carriers were much less affected, suffering delays but

to Aéroports de Paris, the airports authority. High flier takes control of

grounded airline, Page 3

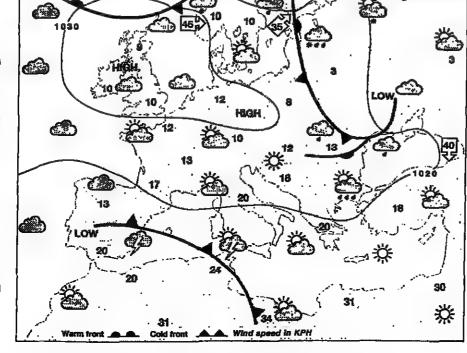
Europe today

The circulation of air around persistent high pressure over Scotland will bring cloud into the continent from the North Sea, Calm but gloomy and grey conditions will prevail in western areas. It will remain dry with glimpse of sunshine in particular over France. A low over Spain will cause heavy rain in eastern parts with the risk of flooding. Southern Italy will have a few scattered thunder showers while the north will stay dry and mainly sunny. Scandinavia will continue grey and windy with rain and drizzle in most areas and gale to strong gale force westerly winds on the Norwegian coast. North-east Europe will stay cool with snow showers and heavy cloud with rain expected from the Baltic states to the Black Sea.

Five-day forecast

Until the weekend, the British Isles and Northwestern Europe will remain settled with increasing sunshine, especially over England and the Benelux. Scandinavia will get cooler with rain or snow showers mainly limited to northern parts. The western Mediterranean will be changeable with much rain while northeastern Europe will stay cool with snow showers.

TODAY'S TEMPERATURES





THE LEX COLUMN

Swedish match

The relationship between Volvo and Renault was originally conceived as an equal partnership, so the irritation of some of Volvo's small shareholders at getting a mere 35 per cent of the merged company is understandable. The intervening three years may have seen Volvo's position deteriorate, but the benefits of cost cutting and krona devaluation are just starting to show. Meanwhile. Renault is hurtling headlong into the continental car pile up. Volvo's management may argue that Renault's recent poor profit figures should not determine the shape of the merger, but at least part of Voivo's misfortune is equally short term.

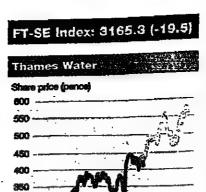
For all their ire. Volvo's small shareholders are unlikely to force better terms. This far, Volvo has had the better of the deal, since it has reaped Renault's economies of scale in car component sourcing. Nor, given the astronomical cost of model development, is it credible for Volvo to continue alone forever. The merger is Vol-

Whether the expanded group can be made to work is, however, another question. Most of the planned cost savings would have been achieved without merger. Now they must be carried through at the same time as the organisations are combined and pruned. There is justified suspicion that deeper cuts and more rationalisation will follow if Renault-Volvo is to avoid dis-economies of scale. Handling that integration is a real management challenge, and the history of automotive mergers from British Leyland through Flat Lancia to Peugeot Talbot can hardly encourage the newlyweds.

UK economy

The latest CBI figures suggesting the manufacturing recovery is faltering may not be as worrying as they seem. It is understandable that orders and output have flattened now that the initial benefits of sterling's devaluation, interest rate cuts and stock replenishment have run their course. Growth is still likely to prove more robust this year than most forecast at its outset.

Still, fears that the downturn in mainland Europe would take the spring out of the step of UK manufacturers have proved well founded. That suggests there is room for further interest rate cuts, and there seems little in the inflation outlook to prevent it, as the CBI was quick to point out. Growth in unit costs has all but ground to a halt while output prices



continue to fall. Domestic markets have remained highly competitive, maintaining the squeeze on margins. But then, inflationary pressures are not proving as subdued outside the manufacturing sector. Yet it is doubtful whether a cut in UK interest rates and a lower pound would do much to improve manufacturing prospects. Given the problem largely lies in mainland Europe, further cuts from the Bundesbank would surely be more efficacious. It therefore seems ever more likely that the Chancellor will plump for the do-little option in the November Budget. A shaving of interest rates and modest tax rises would appear to represent the line of least resistance — uncomfortable though this stance may be for such a habitual political bruiser.

Thames Water

Thames's concern for speedy disclosure of provisions at its PWT contracting arm rings a little hollow. True, its interim results were bought forward by a week, but it has taken four years to uncover the extent of the problem. The last annual report contained a passing reference to a contract which remained in dispute, Before that, investors were offered assurances that difficult contracts acquired with PWT in 1989 had been sorted out. The acquisition looked of doubtful merit even before yesterday's provisions. With contract losses added back, Thames has paid more than 240m for a business with sales of £150m, peak margins of under 5 per cent and consider-

Red ink on a lesser scale in Thames' other unregulated businesses does not

inspire confidence in management's ability to turn the contracting side around. The comfort is that Thames' regulated water business is performing well. Demand for water from industry remains depressed by recession, but costs look well under control. In theory, losses outside the core water business should not work Ofwat, the water industry regulator; so long as capital to finance building sewerage works is ring-fenced.

hamp

Inves

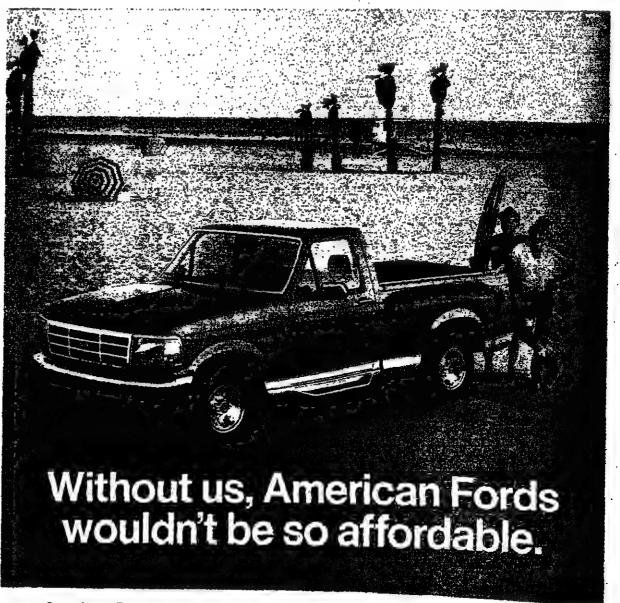
Yet losses anywhere in the group will increase the cost of equity capital - as yesterday's 2 per cent fall in Thames' shares underlines. The longrun impact is difficult to measure, but one wonders whether the episode will encourage Ofwat to look again at the handsome payments made by the regulated utility husinesses to the quoted parent companies which help finance such diversification.

Leeds/N&P

The Arthur Daley character employed in the Leeds commercials has, it seems, been stung by National & Provincial's bee. The differences in culture between the two building societies proved irreconcilable. Given the proposed merger was born of desire rather than desperation, it was wise to call a halt before it grew too serious. The merger's rationale depended on some painful rationalisation, which could only have worked had there been complete harmony of purpose. Leeds will resume its search for a chief executive and, perhaps, for a new merger partner. It seems likely to settle for a more conventional manager than Mr David O'Brien and a less risky partner than N&P.

Ferranti

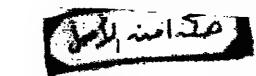
in retrospect, Ferranti's fate was sealed when it signed the deal with International Signal in 1987, though the end of the cold war and low oil prices have delivered the coup de grace. So why should anyone be prepared to take on the company's substantial debts at this stage? There are some businesses within Ferranti which are worth having - notably the naval sonar operation. That is worse than buying a shop to get a can of baked beans. Perhaps GEC or Thomson might wish to curry favour with the Ministry of Defence by rescuing one of its contractors, which looks like an expensive favour unless Ferranti's tax losses or pension fund surplus can be made to work for the bidder.



Saving \$5.5 million per year on car production costs is significant, even if you are the Ford Motor Company. Bundy, which supplies Ford with fuel and brake line systems, partnered Ford's Materials Group in a North American cost efficiency study. One result was Bundy's proposal of a new anti-corrosion coating for its systems which would be both more effective and less expensive. Tests validated the coating and the Ford Motor Company saved millions of dollars in the first year Bundy in consequence received a special Ford Award which ranked it third of Ford's 2,000 suppliers for accepted cost savings in 1992.

Bundy is one of TI Group's three specialised engineering businesses, the others being Dowty and John Crane. Each one is a technological and market leader in its field. Together, their specialist skills enable Ti Group to get the critical answers right for its customers. Worldwide.





FINANCIAL TIMES SURVEY

SRI LANKA

Wednesday October 27 1993



Sri Lanka's gross domestic product grew by 4.3 per cent in 1992 and exports climbed by more than 20 per cent. There is optimism in Colombo, but the war against Tamil separatists is a big obstacle to long-term economic progress. Kieran Cooke reports

Progress is hampered by conflict

Mr Ranasinghe Premadasa, Sri Lanka's president, was on his way to a political raily. A populist given to flamboyant gestures, Mr Premadasa jumped out of his car at a busy junction and started directing traf-

四点(3) 海水

A man pushing a bicycle walked towards the president. A bomb tied to the man's waist blew the president to bits. More than 20 other people were also killed in the blast.

A few days earlier, Mr Lalith Athulathmudali, a popular opposition leader and former defence minister had been shot

The government blamed both murders on Tamil sepe-ratists fighting for statehood in the north and east of the coun-

The prophets of doom forecast that another round of bloodshed was about to sweep the country. There were fears that after five years of autocratic Premadasa rule, there would be political instability and the economy would nose-

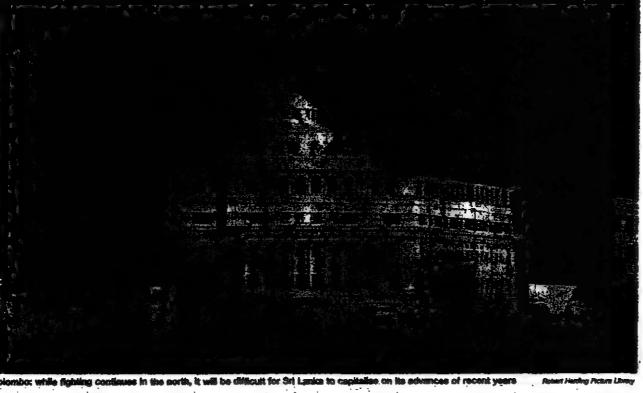
In the event, a power transiimum of disruption. Mr D. B. Wijetunga, the mild-mannared social activity.

ON the morning of May 1 1993, former prime minister, moved up to the presidential position. Mr Ranil Wickremesinghe, the 44-year-old industries minister, became prime minister.

The economy proved resillent to events. Despite continu-ing violence and the worst drought to hit Sri Lanka in 50 years, gross domestic product grew by 4.3 per cent in 1992 and officials say GDP growth this year is likely to be 5.7 per

Exports climbed by more than 20 per cent in 1992 and seem set to expand by a similar amount this year. Moves towards a more open, free market economy are continuing. There is plenty of optimism about. It is our good to achieve newly industrialised country [NIC] status as we enter the 21st century," says President Wijetunga.

But violence and the war against Tamil separatists remain the biggest obstacle in the way of Sri Lanka's long-term economic progress. Fighting between government forces and ethnic Tamil rebels has not only cost thousands of lives. The war has also cut off tion was effected with the min- almost a third of the country from normal economic and



The war costs the equivalent of between 8 and 4 per cent of GDP each year, with security eating up 15 per cent of pre-cious budget funds.
Former President President

tried and failed to negotiate with the Tamil Tigers, the main rebel group. President Wijetunga shows signs of taking a harder line.

But the government has learned that it is very difficult to defeat a disciplined guerrilla force whose tectics include autcide bombings. Any full-scale military offensive against the rebels in the north could provoke maybem in other parts of the island. While the war continues, Sri

Lanks is utilikely to attract the sort of long-term capital intensive investment it so urgently needs in order to achieve NIC status and follow in the foot-. steps of dynamic economies such as those of Malaysia, Thailand and Singapore. The country needs mills to

feed its textile industry. If

industrial expansion is to con-

time, new power plants should be coming on stream. But in the present circumstances investors, both local and foreign, seem unwilling to commit large-scale funds to Sri Lanks on a long-term basis.

It is a credit to the government that despite the war in the north and a Maoist-style insurgency in the late 1960s, which caused havoc in the south of the country, considerable progress has been achieved on many fronts.

Sri Lanka has been praised by aid organisations for its poverty eradication programmes. Standards of literacy and health are well in advance of any other country in the south Asia region.

has undergone fundamental change. Agriculture, once the mainstay of the economy, has declined in importance with. tea and other traditional crops exports last year. Meanwhile, and its policies."

industrial exports, mainly textiles and garments, grew by 41 per cent last year and now account for more than 65 per cent of total export values.

In the South Asia region, Sri Lanka has been a pioneer in introducing market-based reforms. Exchange controls have been progressively lifted. Tariffs have been reduced. A number of state enterprises have been privatise

"The results of these policies made in cutting the budget def-icit, which now amounts to 7.4 are clearly evident," says Presi-dent Wijetunga, "We have more than doubled our rate of per cent of GDP, Sri Lanka remains dependent on foreign economic growth. Our average per capita income has risen from \$LR\$1,902 in 1976 to SLRs24,234 in 1992 (\$214 and \$553 at prevailing exchange Over the past five years Sri rates) despite having 3.7m Lanka's economic structure more months to feed.

"We have made a dent in unemployment, which has declined from about 24 per cent to around 14 per cent... there is hope in the air and the interaccounting for less than 24 per mational community has devel-cent of the total value of oped confidence in our land

from the east, particularly from South Korea and Taiwan. Sri Lanka needs to build an industrial base but many companies use the island only as an assembly point for gar-ments, taking advantage of cheap labour and the country's quotas. Most cloth for the textiles factories is imported. Owners of the few textile mills operating in Sri Lanka allege that the South Koreans and others are dumping cloth on the island and threatening the survival of their mills. Although significant progress has been made in fiscal

ountry is now overly depen-

dent on one industrial sector. A lot of investment has come

reforms and moves towards a more open economy, the process has been slow. The IMF is concerned about recent public sector pay rises and excessive credit growth, particularly in the plantations sector. Last year, Mr Wijetunga, then prime minister, admitted that the two big state banks, which control more 65 per cent of the banking industry, had accumu-lated a total of SLRs18bn in bad loans and were technically

Insolvent Privatisation - termed "peoplisation" by the government - has so far excluded many of the big state enterprises such as the two biggest banks, the telecommunications company and Air Lanka, the national

But not all government poli-

cies have worked. Inflation,

now running at between 12 and

15 per cent according to central

bank officials, remains an

intractable problem. The gov-

ernment has made large cut-backs in spending in some sec-tors and a tough budget is

But spending on security is

rising rapidly and while con-

siderable progress has been

funding to meet its spending

the region.

forecast in early November.

Sri Lanka is arguably a more democratic country than its economically thriving neighbours to the east. "We are the opposits of Singapore or South Korea," says Mr Wickreme-singhe. "Democracies have to carry people along, a govern-ment has to explain. We are a politically mature country." But an active democracy

needs. Sri Lanks received often leads to tough economic \$840m in aid last year; a far decisions being out off for higher amount, on a per capita political reasons. Government officials acknowledge they basis, than other countries in have to tread very carefully Foreign direct investment in with privatisation so as not to 1992 nearly doubled to \$120m offend powerful unions. The present Wijetunga government is regarded as less tough in and further strong investment growth has been evident this year. But most of this investmany areas than the Premadasa regime. More political ment is relatively short term. trade-offs are likely, particu-A large proportion of inward investment has gone into texlarly in the run-up to presidentiles: some argue that the tial elections due to be held

IN THIS SURVEY

an air of economic confi-* Security: Colombo's harder line means the army may try to re-take Jaffna province next year Page 4 ■ Trade: Sri Lanka has suffered a sharp deterioration in M Politics: New leadership has brought a distinct change of style Page 5 ■ The gems industry should benefit from recent Tendiles accounted for 49 per cent of total export earnings in 1992 Page 7 ■ Tourism made a rapid recovery last year Page 8 E PROPLES

Zam Refai Page 6 Lanka GarmentsPage 6 Eskimo Fashions Page 7 Galla Face Hotel. Page 8

Phil Sanders

before the end of 1994. For the moment, the United National Party, in power since 1977, seems secure in office. with the main opposition party, the Sri Lanka Freedom Party (SLFP) led by Mrs Sirima Bandaranaike, a former prime minister, divided by bitter

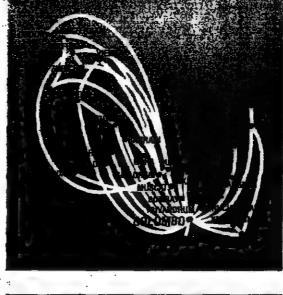
quarrels. The government still has a very tough job. Sri Lanka's well-educated people have high aspirations. In the late 1980s, former President Premadasa ruthlessly quashed a left-wing insurgency in the south. Remnants of that movement, resentful at the lack of economic opportunities available, atill earist.

But above all, it is a settlement of the fighting in the north and east which holds the key to Sri Lanka's future. In Colombo, the war often feels remote. But as long as the fighting continues, it will be difficult for Sri Lanka to climb the economic ladder and capi-

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SRI LANKA 2

■ THE ECONOMY

Separatist war is still critical factor

tunga, is to move into the league of newly-industrialised countries by the year 2000.

Economic growth in recent years has been moving ahead at a respectable pace. Sri Lanka's GDP grew by 6.2 per cent in 1990, 4.6 per cent in 1991, 4.3 per cent last year and, according to central bank officials, is likely to expand a further 5.7 per cent in 1993.

There is an air of economic confidence about. The shop shelves are full; Colombo's roads are becoming clogged with imported cars. Officials talk of economic lift-off.

"We are pushing forward to achieve our NIC goal," says Mr Ranil Wickremesinghe, prime minister since May. "We want to move from a lower income to a middle income country."

But while short-term prospects remain bright, there are many who question the realism of the government's long-term objectives. The continuing war in the north and east of the country looms like a dark cloud over the economic

On the plus side, there has been a vast improvement in economic performance in the past few years. Through much of the 1980s, the government

for a plunge in share prices.

OLOMBO stock market watchers

were expecting the worst in the aftermath of the assassination of

President Premadasa in May this year.

There was talk of a political and economic crisis: analysts were readying themselves

But the crisis did not occur. The stock

exchange reaction to events was remark-

ably phlegmatic. By June, the market was

in a bullish mood. New issues were well

received. In the June-September period

this year, the market rose by more than 20

per cent.
"The fact that the market did not over-

react to the assassination shows its resil-

ience and maturity," says Mr L.S. Jaya-

wardens, chairman of the Sri Lanka

Securities and Exchange Commission

(SEC). "The Sri Lanka market might be

relatively small, but in the space of just a

few years it has become a sophisticated

market in which foreigners are showing

SRI LANKA'S ambition, as had to fight not only a war stated by President D. B. Wije-against Tamil separatists in the north and east but also a Maoist-style insurgency in the south. The economy stagnated. Investment declined. The tourists stayed away.

That has all changed. Industrial output, mostly based on textiles and garments, has expanded rapidly. In 1992, the value of industrial exports surged by more than 40 per cent, with the textiles sector

Agriculture, which accounts for about 25 per cent of export earnings, has recovered from last year's drought

accounting for nearly 50 per cent of total export earnings. In the first half of 1993, industrial exports rose more

than 30 per cent. Agriculture, which accounts for about 25 per cent of export earnings, suffered due to a prolonged drought last year and output declined by 1.5 per cent. But figures this year are far healthier, with a nearly 40 per cent rise in the output of tea. Sri Lanka's main crop, and a 22 per cent rise in rubber output in the first six months. Direct foreign investment

eign investments are now in the pipeline. In addition. nearly \$30m of portfolio investment came into the local stock market, attracted by the government's economic liberalisation policies and the partial privatisation of several state entities

Tourist arrivals were up 24 per cent last year and will get close to the record figure of 407.000, set in 1982, the year before the main outbreak of ethnic troubles on the island.

Meanwhile, average per capita incomes have risen from \$214 in 1976 to \$553 a year last year. According to official figures, unemployment - one of the problem areas in the economy - has dropped from about 24 per cent 10 years ago to 14

The government's overall financial policy has also met with some success. The budget deficit was reduced to 7.4 per cent of GDP in 1992, compared to 11.6 per cent of GDP in the previous year. In 1992, for the third year running, there was an overall balance of payments surplus, helped by an inflow, now running at \$400m per year, of remittances from Sri Lankans working abroad.

A few years ago, Sri Lanka

last year nearly doubled to had zero foreign exchange \$120m. More than \$400m of forreserves and foreign exchange controls led to a thriving black market in the rupee. Now most exchange controls have gone. the rupee is free floating and, according to official figures. foreign reserves have risen to \$1.7bn, enough to cover up to six months' imports.

But there is still a lengthy list on the minus side of the economic table. There seems little hope of any further reduction in the budget deficit, at least in the short term. Government spending went up by nearly 40 per cent in the first five months of 1993, in part due to substantial increases in the cost of fighting the war.

The jump in spending is also a byproduct of the continuing fight against inflation, described by President Wifetunga as "the great monster of our times". The central bank says inflation was 11.4 per cent last year. The overall inflation rate is now estimated to be between 12 and 15 per cent.

Treasury officials admit that efforts to stem inflation have so far failed. High interest rates of more than 20 per cent, designed to counteract inflation, have attracted large amounts of funds into the country. Portfolio investments from abroad have added to the inflationary pressures. The central bank has had to spend large amounts mopping up excess liquidity in the system. The broad money supply has increased by about 20 per cent so far this year.

To bridge its budget deficit, Sri Lanka is still largely dependent on considerable amounts of foreign grants and aid, which totalled more than While exports have been

Upward pressures on wages could lead to the textiles industry decamping to Vietnam or Bangladesh

growing fast, they have been outpaced by import growth. The value of imports rose 24 per cent in the first five months of this year and the trade deficit widened to \$673m. Some of these economic difficulties might be seen as only short-term structural deficiencies, to be tackled over a period of time. The more difficult question, given Sri Lanka's NIC aspirations is how does the country achieve the

next stage of development. ment, investments need to be made in more value added industries. But such long-term and capital-intensive investments are not being made. Sri Lanka's economic position is still fragile: upward pressures on wages could lead to its textiles industry decamping to lower cost countries such as Vietnam and Bangladesh.

Above all else, the war remains the critical factor. It soaks up increasing amounts of precious government funds. Multi-million-dollar long-term investments in power plants, fertiliser factories and in textile mills are unlikely to be forthcoming given the present security problems.

The government places high hopes in the tourism industry. But a target of doubled tourist arrivals to more than 800,000 by the end of the decade seems unrealistic in the present cir-cumstances, with some of the country's best tourist facilities on the east coast of the island virtually out of bounds due to

Sri Lanka has made impressive short-term economic gains. In the long term, an end to the war and continuing political stability are the keys to whether or not the country will achieve its NIC goal.

Kieran Cooke

KEY FAC		
A788	{	54,454 aq 1 m
A789		17.4 million
AreaPopulation	D.	8. Wijetungs
Dresident	Cri Lanka	CHARA (QL Da
Currency	1991 \$1	-SLRs41.372
Currency	1992 \$1:	SLRs43.830
Average exchange rate	100-11-11-11	
ECONOMY		1902
Loonen	1991	. 1962
	9.0	9.7
Total GDP (Sbn)	4.6	4.3
Real GDP growth (%)		
Components of GDP (%)	77.3	75.2
Drivate consumption	22.8	23.7
Table in the second sec	9.9	9.5
Covernment consumption		32.4
Emorts	28.7	
imports	-38.8	-40.8
Annual average % growth in		
Consumer prices (%)	12.2	11.6
Wholesale prices (%)	9.1	8.7
Wildestile buces (1/2)	9.5	7.2
Govt. deficit (%) '	6.6	7.1
Total external debt (301)	15.2	15.4.
Debt service ratio (%) 2	685	927
Oficial foreign reserves (\$m)	25.4	19.0
Money market rate (%) 3		••
Trade	-483	-409
Current account balance (Sm)	2.040	2.433
Exports (Sm)	3.061	5.433
Imports (Sm)	-1.021	-1.000
Trade balance (Sm)	Exports	Imports
Main trading partners (%) 4	29.2	4.3
USA	5.9	10.5
Japan	2.1	8.4
Singapore	1.0	8.0
Hong Kong	10.2	3.3
Germany,,,,,,	5.B	5.2
UK.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	33.1	18.8
EC		

(2) Debt service as a % of exports of goods and services. (3) 1992 rate is first quarter average only. (4) Percentage share of trade in 1991. Sources: Datastream, ElU.

STOCK MARKET

Phlegmatic reaction to assassination

than triple that amount.

Mr Jayawardena says the main stimulus to market growth came in June 1990 when the government made the first moves to ease rules on exchange dealings by for-eigners. Before that time a 100 per cent transfer tax was levied on share transac-

"The relaxation of the rules on foreign participation in the market was a major decision in an inward-looking country like ours," says Mr Jayawardena. "As foreign money came in, so locals felt greater confi-

Colombo firm MacKinnon and Keels

Financial Services, estimates that about 60

increasing interest." Mr Jayawardena was appointed to the SEC in 1987. Total market turnover at the time was less than SLRs200m (\$4m). By per cent of trading on the market is now 1990, total turnover had shot up to

SLRs 55n. This year it is likely to be more and the weight of foreign funds coming in can make a big difference," says Mr De

Both foreign and local investors were encouraged by the government's new industrial strategy of the late 1980s which emphasised that the private sector must play a lead role in promoting the country's tions by foreigners. economic growth.

The government's privatisation or "peoplisation" programme got under way in dence and started to buy shares." Mr Premal De Mel, a researcher with the

1989 with the public share issue of United Motors Lanka. That issue was poorly received in a market still unschooled in the ways of the stock exchange. But by early 1991, when state-owned Ceylon Oxygen came to the market, the share climate had changed. The issue was

oversubscribed more than five times.

New listings have increased from one in 1990 to 12 last year and a possible 13 this year. At present 196 companies are listed on the Colombo exchange,

An SEC-sponsored public education programme telling people about the stock market helped to broaden share ownership. By the end of last year the SEC estimated that the number of shareholders in the market had increased to 40,000 from only 10,000 in 1990. In addition, 20.000 shareholders had been created through the peoplisation programme under which employees were given 10 per cent of shares in the privatised state-

But it has not been all plain sailing for the exchange. Market overheating in 1981 was followed by a prolonged downturn through 1992. As a result, market capitalis-

ation dropped from SLRs81bn to SLRs86bn in the year. Although foreign interest in the market remained, local investors tended to shy away from new public share offers, choosing instead to take advantage of high bank deposit rates and Treasury bills which offered attractive 18 per cent

The privatisation of one of the bigger state banks, the National Development Bank of Sri Lanks (NDB), in February this year helped turn the market. The NDB issue, backed strongly by foreign investors, was oversubscribed nearly four times. The subsequent entry into the market of two state-controlled hotel groups further buoyed investor confidence.

The main constraint on market growth now is liquidity. Despite high interest rates and the attraction of raising funds

on the stock market, many of Srl Lanka's biggest companies still choose to remain private, mostly family-controlled bustnesses. Many are reluctant to put themselves in a position where they have to make financial disclosures.

The Colombo stock exchange has come a long way in a very short time and is one of the region's most technically sophisti-

When he took on the job of SEC chairman one of the first moves Mr Jayawar. dena made was to set about introducing a computer-based central depository system. With funding and technical assistance from USAID, the scripless system came

into being in late 1991. "We realise we are small, but we are one of the most technically advanced exchanges in the region," says Mr Jayawardens. "Given continuing healthy economic growth and providing more companies discover the advantages of going public, there's no reason we won't expand rapidly in the years ahead."

Kieran Cooke

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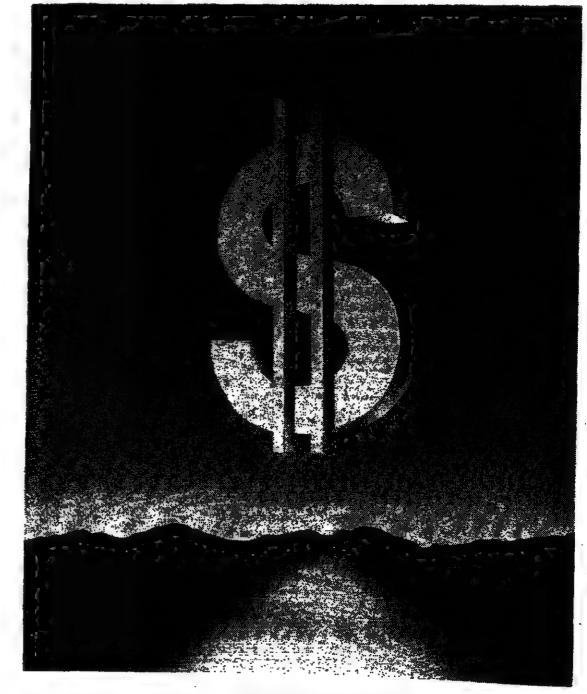
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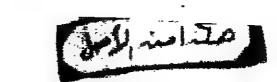


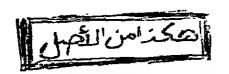


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Hon. Ranil Wickremesinghe Prime Minister Democratic Socialist Republic of Sri Lanka

CHANGE AGAINST A BACKDROP OF STABILITY AND CONTINUITY

It boasts Asia's oldest constitutional government. It has survived separatist conflict, terrorist insurgency, an unsuccessful experiment in socialism and the abrupt demise of its last President. Now after 16 testing years of reform, Sri Lanka, under the leadership of the United National Party (U.N.P.), has proved the resilience and stability of its democratic government and its ability to deliver substantial and sustained economic growth.

"These two principles embedded in the United National Party's philosophy of development have created space for the people of Sri Lanka to become creators of wealth within the context of a pluralistic society".

Richard (n

H.E. D. B. Wijetunga President

An intrinsic component of the government's vision for the future is the concept

of a democratic society where political and economic power is dispersed among the

When it came to power in 1977, the UNP introduced a sweeping programme of reform based on two central principles: the assurance of individual liberty and fundamental rights and the liberalisation of economic activity by encouraging the interplay of market forces. The result was a strong and mostly uninterrupted surge

of economic and social activity.

this

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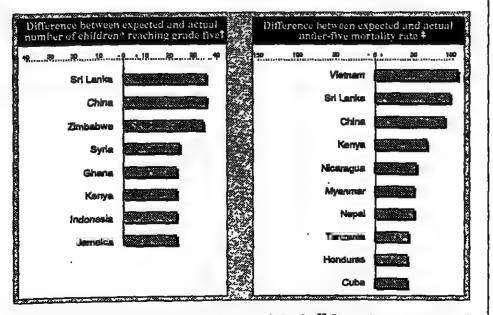
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welfare of the people while entrenching the concept of ownership.

Human Development takes priority



UNICEF in a recent report titled "The Progress of Nations" ranks countries by "national performance gaps" i.e. it compares what a country with a given income per head "ought"- by world average - to achieve with what it actually does. The chart shows Sri Lanka as being amongst the best in the world on two indicators: under five mortality and the percentage of children with at least 4 years of primary schooling.

end, this has government embarked on a number of socio-economic programmes which seek to enhance the

people. To achieve

The way ahead is clear: increased integration with the world economy leading to further dismantling of State controls over economic activity.

At the same time, devolution of political power and decentralisation of administrative power ensure continuity in the human aspect of Lanka's development.

"A parallel development is the dispersal of political power from the centre to the periphery. Devolution of political power has taken place at the Provincial level. Furthermore, the deregulation of the economy and the decentralisation of the administrative machinery has dispersed decision making powers throughout the country."

Hon. Ranil Wickremesinghe Prime Minister

SRI LANKA 4

SECURITY

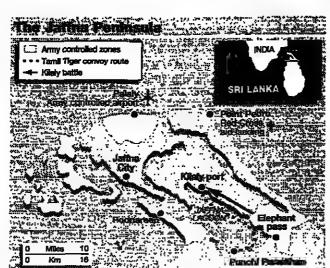
ORE than 300 people were killed and hun-dreds injured earlier this month in one of the fiercest battles of the 11-year war between Sri Lanka's armed forces and Tamil Tiger guerril-

But political and military observers say what was unusual about the battle for Kilaly - a small guerrilla port on the edge of the Jaffna lagoon - was not the scale of the action but the fact that seven Sri Lankan army officers were killed in the fighting.

Army officers, members of a once largely ceremonial force. have not been noted for leading from the front. But after nearly a year of inactivity following the deaths of several senior commanders in a landmine explosion, there is now a new grit and determination at the top in Sri Lanka's 80,000-

strong army. The country's senior military commanders, confident they have the country's troubled Eastern province under control, say they have at last been given the go-ahead to retake the rebel-held northern peninsula of Jaffna, from which they were expelled in humiliating

This confidence appears to be percolating down to even the most battle-weary of frontFresh confidence among army chiefs



officers. President D. B. Wijetunga - angered by earlier political prevarication, the assassination in May of President Ranasinghe Premasa and the high cost of a war that has claimed 32,000 lives has publicly vowed to crush terrorism.

Not for him the policy of his predecessor who accomodated guerrillas in five-star hotels. Mr Wijetunga appears to believe it is not possible to

negotiate with Mr Velupillai

of the Tigers. "There is no eth-

nic problem in the north, only terrorism," says Mr Wijetunga Defence Department officials refuse to say when the main offensive across the war-torn Jaffna peninsula – also home to about 600,000 Tamil civilians - is likely to be launched. But military commanders hint that it could come next year.

The army has already started building up its strength. Ten thousand new recruits are under training and more are expected. The total complement may end up at about 100,000 men.

The military plans to buy helicopter gunships, landing craft and fast patrol boats for the confrontation with an estimated 3,000-4,000 well-armed and trained guerrillas who have been fighting for an independent Tamil homeland. Part of the explanation for

the more determined political will in Colombo, and the army's new confidence, may lie in the recent success the mili-Prabhakaran, the autocratic and militarily brilliant leader tary has had in bringing an element of normality back to the country's troubled Eastern

Less than three years ago, the province's two main cities of Trincomales and Batticalors were in rebel hands and large tracts of the mixed Tamil, Moslem and Singhalese province were no-go areas to the army and the civil authorities. Today, most of the province is under government control, at least during the day, and many Tamil Tiger guerrillas based in the area appear to have fled north to the Jaffna peninsula.

The government is planning to hold local elections in the Eastern province in February and, later in the year, a refer-



A young soldier guards the Palaly perimeter, just eight miles from Jaffina City

endum on whether to merge with the country's northern province. If local elections are successful, tens of thousands of Sri Lankan troops could be

released for duty in Jaffna.

President Wijetunga, who is
also Sri Lanka's finance minister, is intent on trying to catapult his country into the ranks of the newly industrialised nations by the beginning of the next century, and is only too well aware of the heavy eco-nomic toll the war is taking on a country where many still live below the poverty line.

To finance soaring war costs the government has recently been forced to impose a special defence levy of 3 per cent on all transactions, operating in a manner similar to value added tax. This year, direct military expenditure is expected to total

more than SLRs20bn -- about 15 per cent of the budget - but at least the same amount again is spent on feeding and rehabilitating the war-torn civilian population in the north and

Thousands of foreign investors have been frightened away by the fighting and many believe the number of tourist arrivals could climb to more than 1m within a few years if the war was ended. The economy of Jaffna, once the biggest supplier of fish and cash crops in Sri Lanka, is at a standstill and tourists no longer visit the

East with its fabulous beaches. President Wijetunga appears to be willing to stake all on the attempt to recapture the Jaffna peninsula guerrilla stronghold by force in an attempt to bring

A brief glance at the map would seem to suggest that the army is in an excellent position to launch an offensive. It has a series of army-controlled zones ringing the peninsula: at Palaly in the north it controls Jaffina city's airport in a zone 20km wide and 5km deep; across a sunken bridge to the west of the city it controls a number of sizeable islands; and to the south-east it has cut off the peninsula from the Sri Lan-

But the war in the north is a classic guerrilla action, fought by the most tenacious and fanatical of men and women, as the recent battle of Kilaly showed. On the second day of the army advance from its base at Elephant pass, a carefully

kan mainland by linking its

Elephant Pass army base to

dug-in group of 1,000 guerrillas took the Sri Lankan forces by surprise and in bitter hand-to-hand fighting killed 118 soldiers.

Hardcore guerrillas, led by a daring military strategist, may number little more than 5000 throughout Sri Lanka, but they were able to defeat 120.000 Indian troops in the late 1900s Every combatant carries a cyanide pill around the neck which they swallow rather than allow themselves to be

taken prisoner alive. There may be fewer guerfilas, and less well-trained, than when they pushed the indians out and when they controlled much of the Eastern province but they remain as ruthless and are still able to assassinate politicians and military con-

There is some evidence they may no longer have such fierce support from the Tamil population in Jaffna. Creation of Tamil Eelam (the rebel's free state) is as far away as ever and some locals have dared to speak out against a guerrilla force, whose tax collecting ability at home and abroad, is leg. endary. But after a decade of indoctrination most ordinary Tamils in Jaffna still fear Sri Lanka's "Singhalese Buddhist army" more.

Even if Tamil civilians did not fight voluntarily they might be forced into battle on the side of the guerrillas. It is by no means certain that the Sri Lankan armed forces could march into Jaffna city without killing on the way tens of thousands of civilians in the dense. ly-populated province.

House-to-house fighting in the city could be even bloodier, and the question no one seems able to answer with confidence is whether the army yet has the numbers, ability and determination to retain control of the peninsula once it has marched in.

Richard Cowper N

The battle for hearts and minds

Humanitarian effort to feed civilians

WHEN Colombo put down in bloody fashion a Singhalese nationalist uprising in 1989 it soon found itself having to contend with a volley of international condemnation. Its systematic abuse of human rights also alienated many of its own

people, writes Richard Cowper. Today, Sri Lanka is stili fighting a guerrilla war but it has put greater efforts into winning hearts and minds at home and abroad.

The country is now known overseas for its unique humanitarian effort in providing vir-tually all the food and necessities to more than 500,000 Tamil civilians living in the rebelcontrolled Jaffna peninsula, where Tamil Tiger guerrillas

have been waging an 11-year struggle for an independent

"Normally, civilians trapped in guerrilla-controlled areas have to find their own food," says Mr Dominic Dufour, head of the International Committee of the Red Cross (ICRC) based

The government has realised that no rebel with a Kalashnikov ever starves. But this programme is unique. It's the only country in the world where you can officially mail a letter from the capital to a rebel stronghold."

The government started the programme in 1990 and now spends more than \$500m a

of 10,000 tormes of food each month to Jaffna in a fleet of cargo ships under the supervi-

sion of the ICRC. The food is distributed free to about 240,000 people who have been displaced from their Jaffna homes. The rest is sold in shops to civilians and guerrillas alike, under the watchful gaze of highly-efficient Tamil

Tiger tax collectors. Mr Christie Silva, in charge of the programme at the Ministry of Reconstruction and Rehabilitation says: "It's true we do not want hundreds of thousands of civilians fleeing south. But neither do we want

to see starvation. "We have to think of the future: after all, they are our people; they are also Sri Lan-kans."

No one is pretending the gov-ernment is without fault. There are reports of malnutri-

power blackout for most nights of the month.

The country's 80,000-strong army sometimes oversteps the mark in its bitter struggle to recapture large areas of the north and some patches of the east which are still controlled by the guerrilies. In a visit this month to the

Palaly army-controlled zone. just north north of Jaffna city, I saw several night-time bursts of 150mm howitzer shells. In an area so densely populated anything less than perfect accuracy is likely to kill or injure non-combatants.

Reports of civilian Tamil deaths by army shelling are

But in the war for hearts and minds, there is some evidence that the government may be winning. A proposal to hold local elections in the country's troubled eastern province is seen as a further step towards tion in some areas of Jaffna. A ban on diesel shipments, to deny guerrillas fuel for their vehicles, means there is a Tigers.

In the north, the growing financial predations of the guerrillas against a hardpressed and besieged civilian population are beginning to take their toll.

Some Tamil civilians appear to have become heartily sick of the war and might even welcome a return to civilian con-

But Mr Velupillei Prabhakaran, the ruthless Tamil Tiger leader, does not appear to be willing to negotiate a political solution and Colombo therefore sees itself compelled to pursue a military one.

All the hard-won gains could disappear overnight if the army attempts to recapture the Jaffna peninsula, as it is

threatening to do. Thousands of Tamil civilians might be killed and the Tigers would do everything in their power - including using human shields - to ensure that Sri Lanka's image was again tarnished in the eyes of the international community.



Sri Lanka the Pearl of the Indian Ocean, though a mere speck on the map of the world, provides tremendous opportunities for foreign investment through the governments open trade policy and export promotion zones providing tractive incentives and concessions.

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■ Co-operation with India

New Delhi has score to settle

OPERATIVES of New Delhi's Kittu. He and a number of secret service Special Investi-gation Team (SIT) set up to track down the killers of Mr Rajiv Gandhi, the former Indian prime minister, are now regular visitors to Colombo, writes Mervyn de Silva and

Richard Cowper. SIT is working closely with Sri Lanka's police and intelligence services and its mission is clear: seize or kill Velupillai Prabhakaran founder and com-mander of the separatist Liberation Tigers of Tamil Eelam (LTTE) and the man they are convinced master-minded the assassination of the Indian

Mr Gandhi was killed in May 1991 by a young female Tamil suicide bomber from Sri Lanka at an election rally in the couthern Indian city of Madras. The modus operandi was very similar to that used by the LTTE to murder Sri Lanka's President Premadasa at an election rally in Colombo in May this year.

The co-operation between New Delhi and Colombo in this and other security areas is a far cry from the last decade when India operated a policy aimed at destabilising her tiny southern neighbour.

Today, New Delhi no longer supports and arms Tamil Tiger guerrillas. It fears that it might end up with its own rebel movement in the fractious southern Tamil state of Tamil Nadu and is taking a tough line against LTTE arms smug-

Earlier this year, the Indian navy captured and destroyed a trawler in the Palk Straits, a 20-mile strip of water that separates Tamil Nadu and Sri Lanka's Jaffna peninsula. As well as arms and explosives, on board was Prabhakaran's mature end the reign of India's right-hand man, known as most famous political dynasty.

ers died in the incident in circumstances that have never

been fully explained. The loss of Kittu is said to have been a heavy blow to the rebel leader. Prabhakaran is said to have placed great reli-ance on Kittu as one of the few commanders he could trust.

So deep is his fear of New Delhi that he recently placed Mahattya, his deputy, under house arrest in Jaffna as a suspected "Indian agent."

All this seems an age from the early 1980s when Rajiv's mother, Mrs Indira Gandhi, ordered RAW - India's equivalent of the CIA - to arm and train cadres of a tiny Tamil rebel movement in secret Indian camps. The close rela-tionship began to break down when Rajiv - who succeeded his mother as prime minister after she was assassinated by her Sikh bodyguard - signed an Indo-Sri Lankan peace accord in 1987. An Indian peacekeeping force was despatched to Jaffna to force a settlement on the Tamil

India and Mr Gandhi were to pay dearly for this change in policy. With just a few thousand guerrillas, Prabhakaran engaged and drove out an Indian army of 120,000 men. At least 7,000 Indian soldiers died and many more were wounded before the pullout came in

In parts of Tamil Nadu - the traditional Dravidian enemy of the Buddhist Singhalese - the Tamil Tigers are still seen as heroes. But New Delhi has a new foreign policy of regional co-operation and a very deep personal score to settle with the man who brought to a pre-

Many banks are returning to their roots.

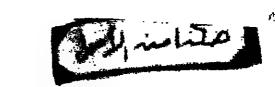


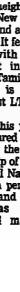
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Deficit is at a record high

REFORM is rarely painless. Moving ahead rapidly to create a more liberal trade and foreign exchange regime, Sri Lanka has been hit hard by a sharp deterioration in its balance of trade, giving finance officials serious cause for con-

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A steady reduction in import tariffs, likely to be continued in next month's budget, and the easing last year of most foreign exchange controls on the current account, have helped to push the country's trade deficit to a record high, in spite of soaring exports.

In the first six months of 1993, the trade gap widened by 38 per cent from SLRs24.73bn in the first six months of 1992 to SLRs34.19bn, a level which most agree is not sustainable in the long run.

As a proportion of total trade, the deficit remained the same at 21 per cent, but imports continued to grow at a faster rate than exports and from a much higher base. Part of the 35 per cent increase in imports to SLRs95.97bn in the first half of 1993 was a one-off purchase by Air Lanks, the country's civil airline, of two Airbus A340s. Much of the increase in export value to

ORMER President Ranasinghe Premadasa often found Sri Lan-ka's tabloid press more vicious

than the Tamil Tiger rebels in the

north of the country or the Pol Pot-style Singhalese nationalist rebellion

in the south.

intermediate goods, such as textiles, which are re-export On exports, the outlook is brighter than it has been for some time. According to Mr A. R. Mansoor, minister for trade, the most remarkable development has been the expansion in the range of

industrial exports. "With 500 garment factories on stream, clothes are our top export earner. But, most encouraging of all, we are now selling 2,000 industrial products overseas," he says.

The first half of 1933 saw a share recovery in

sharp recovery in overseas sales of tea, rubber and cash crops following a severe drought in 1992. This, coupled with the continuing success of Sri Lanka's runaway textile sector, saw exports jump by 34 per cent in the first half of the year, putting the country on course for a record export per-formance in 1993. Exports in the first six months totalled SLRs61.8bn; up from SLRs46.34bn in the same

period last year. Textiles and garments led the way with a 31 per cent

growth came from capital SLRs30.77bn in the first six goods used for investment or months after a record-breaking year in 1992. For the first time textile and garment exports accounted for 50 per cent of Sri Lanka's total overseas sales.

Even in value-added terms, garment exports (imported inputs account for about 60 per cent of the gross export value) have now overtaken the country's traditional tea and rubber export mainstay. in the first half of 1998, Sri

Lanka's agricultural exports grew by 21 per cent to SLRs14.57bm, accounting for 24 per cent of total exports. Tea made a strong recovery in the first six months of 1993, up 85 per cent to SLRs9.2bn following last year's drought when it recorded its most dismal performance since 1966.

The removal of substantial export taxes on tea, rubber and coconut at the end 1992 saw the elimination of an important structural inefficiency in the economy and did much to improve the prospects for an industry where poor prices and high costs have meant many plantations have made losses. This year the Russians have

come to the rescue of Sri Lan-

ken tes exporters after the loss

of the Iraq market two years ago due to the Gulf war United Nations embargo and a sharp reduction in tea imports this year by Iran and Egypt, two of Sri Lanka's big markets. Russia and the Common-

wealth of Independent States (CIS) countries imported almost 20,000 tonnes in the first six months and are expected to import about 30,000 tonnes of Sri Lankan tea -mostly of the cheaper variety-out of an expected total of 220,000 tonnes of exports

The star export performers in 1993, however, have been other industrial products, up more than 64 per cent on last year to SLRs12.2bn, and going some small way to substantiating Mr Mansoor's claim that the country may soon no lon-ger be a two-horse export economy of tea and textiles. Fastest growing of all the

export items in this category has been polished diamonds, up almost threefold to SLRs2.53bn in the first half, with exports of manufactured rubber goods not far behind. But Sri Lanka's economy still has a long way to go before it can shake off the sus-



picion it is still over-reliant on country's total exports in the just a few dominant sectors. After all, tea and textiles alone accounted for 65 per cent of the

first six months of this year.

Richard Cowper

POLITICS

A distinct change of style

Each Sunday the tabloids would tear Mr Premadasa's reputation to populism and the showmenship of the pieces, focusing on the fact that he was not a "goigama" – the farmer caste which has traditionally pro-duced Sri Lanka's political leaders. Premadasa regime. Mr Premadasa, said to have worked 18 hours a day, was known as a vary hard taskmaster. He was also feared by those who

Since the assassination of Mr Pre-madasa in May, the tabloid newspahad crossed his political path. Now the political mood is more pers have gone quiet. The new head of state, President D. B. Wijetunga, soft relaxed. The media is more open. But there has been some continuity. spoken and avuncular, does not make There has been no dramatic change in the direction of government policy. Some of Mr Premadasa's key advisers a good political target. Whereas Mr Premadasa was always are still in positions of power. Mr R. viewed as an outsider by the political establishment, Mr Wijetunga is a "goj-Paskaralingam, an important Prema-dasa confidant and the man credited gama" from the Kandy hill country. Mr Wijetunga's prime minister, Mr with persuading the former president Ranil Wickremasinghe, is part of the Colombo elite. The English educated of the need for economic reform, is also Mr Wijetunga's secretary of

professional class is relieved that what is perceived to be the natural The big question now is whether political order has been restured. the country's new leaders have the The new leadership has brought a strength to carry through tough ecodistinct change of style. Gone is the nomic policies, or whether short-term

serve as an indicator of the new government's political will.

During his time in office Mr Premadasa did put down - albeit brutally - an uprising in the south. He also tried, and failed, to negotiate a peace with the Tamil separatists. Perhaps most importantly, he made moves to open up the economy, while at the same time launching a much-praised poverty alleviation programme.

Mr Wijetunga has been able to build

on that legacy; able to sell Premada-salam without Premadasa.

Less than three weeks after Mr Premadasa's assassination, voters went to the polls in seven of Sri Lanka's nine provinces to elect new provincial councils. The UNP made what was considered to be a surprisingly strong showing in the polls, although it did

political trade-offs will be made. A lose control of the western province, budget due in serly November will which contains Colombo and more than 25 per cent of the country's 17m people. Most importantly, the polls, which had a 75 per cent turn-out, were peaceful - seen by outsiders as syldence of the resilience and maturity of the country's political system.

The UNP would appear to be secure. The Sri Lanka Freedom Party (SLFP), headed by Mrs Strima Bandaransike, a former prime minister, is in some disarray. Mrs Bandaransike, suffering the after-effects of a stroke. is not as active as she once was although she still commands a considerable personal following, especially

Mrs Bandaranaike's daughter, Chandrika - now chief minister of western province - is at loggerheads with her brother, SLFP MP Anura Bandaranaike. In mid-October, Mr

Bandaranaike resigned from the SLFP claiming the party was in danger of being controlled by what he called "discredited Marxists."

Now there is talk that Mr Bandaranaike could join the UNP, the party to which his father, Mr Solomon Bandaranaike, prime minister in the

1950s, originally belonged.

Meanwhile, the Democratic United National Front (DUNF), a breakaway UNP grouping, would appear to have lost its political platform which was almost entirely based on an intense dislike for the rule of former president

After the violence of May, everyone is now hoping for a period of political calm. But already the talk is of presidential elections, due to be held before the end of next year. Mr Wijetunga, 71, was originally

seen as a caretaker president but now shows signs of wanting to stay in office beyond next year's elections. At the moment, people seem com-fortable with Mr Wijetungs. The opposition, more concerned with its own quarrels, holds few political cards.

Mervyn de Silva doubt that before too long we'll have more efficient, largely pri-

Profile: Ranil Wickremesinghe

Prime minister rose rapidly on political ladder

COLOMBO Postal District 7 is an area of elegant colonial mansions and tree-lined avenues. Mr Ranil Wickremesinghe, Sri Lanka's prime minister since May, is seen as very much a product of the "Colombo 7 set" and - as a nephew of former President J.R. Jaywardene - a part of the country's political establishment. writes Kieran Cooke.

But few doubt the consider-able talents of the prime minister. Aged only 44, Mr Wickremesinghe has had a fast rise up the political ladder. There are considerable risks involved in achieving high office. "We have to take security

precautions all the time," says Mr Wickremesinghe, "But I never thought of following any

Mr Wickremesinghe's father, who ran Sri Lanka's biggest newspaper group, was a Christian. His mother was a Buddhist. The prime minister's uncle is an Anglican bishop. Former President Prema-

dasa, a man of humble origina. was deeply suspicious of the traditional political establish ment. But Mr Wickremesinghe survived and prospered during the former president's time, mainly due to his ability, as then minister of industries, to push through much-needed economic reforms.

"We are continuing with Premadasa's policies. There might be a certain change of style; that's inevitable. The opposition accuses us of being elitist. But there are more people in business now than at any time in the past. The opposition talks about socialism but we have introduced real socialism by giving people enough to eat and raising living standards."
Mr Wickremesinghe says that despite opposition from some unions, the government will continue with its privatisation policy. Union fears are without foundation. We are

going about the process slowly

and carefully. But I've no

Ranii Wickremesinghe says the fisation policy will continue

vately-run enterprises." A lawyer, Mr Wickreme singhe became an MP when he was only 28 and subsequently erved as deputy minister of

foreign affairs.

Despite the assassinations of both President Premadasa and the leader of an opposition party earlier this year, Mr Wickremesinghe says there is political stability in Sri Lanka. "We have a mature political

culture. Premadasa's assassination was a test and we got through it without any major problema" But the war against Tamil

separatists in the north and east of the country is the main issue. There have been indications that the new administration wants to take a harder line on the problem than Mr

"I don't think policy has changed. We have always said we are willing to negotiate but it seems the LTTE [The Liberation Tigers of Tamil Eslam, the main separatist group] only responds to pressure. We are not closing the door to talks but the orders to the army remain the same: to eliminate terrorism and ensure that more and more areas are under government control."

'SRI LANKA MUST BE INTEGRATED WITH THE WORLD ECONOMY TO EXPLOIT ITS LOCATION AND UTILISE ITS SUPERIOR HUMAN RESOURCES.'

Hon. Ranil Wickremesinghe Prime Minister

Private investment in National Infrastructure: SIDI

The Government is actively encouraging private investment in the development of infrastructure and has established a Secretariat for Infrastructure Development and Investment (SIDI) in order to coordinate this process.

SIDI's mandate is to select, market and assist the development of infrastructure on a Build-Operate-and-Own (BOO) and Build-Operate-and-Transfer (BOT) basis. A 40MW diesel power plant has already been awarded on BOO terms and in the pipeline is a 300 MW coal powered power generation facility and the development of the historic port of Galle.

The following are areas earmarked by SIDI for develop-

- * Power generation: dual cycle thermal plant, hydro and diesel power projects.
- .* Highway construction:a southern highway linking Colombo to Matara.
- * Railway additions, extensions and electrification.
- * Port expansion
- * Telecommunications
- * Water supply
- * Solid waste management

For inquires and more information contact:

Dr. Ramanujam, Director General - SIDI,

87, Horron Place, Colombo 7. Tel: (94-1) 693761, 694618, 696947, 694601. Fax: (94-1) 696952.



The liberalisation of foreign exchange control

In keeping with Sri Lanka's rapid expansion and integration with the world economy the Central Bank of Sri Lanka has taken the following steps to relax exchange control:

- Exporters are now free to repatriate their export proceeds and credit them to any type of rupee or foreign currency account in any commercial bank in Sri Lanka, or to retain such proceeds abroad.
- External current transactions are now free of all controls. The period for forward exchange contracts for
- purchases and sales of foreign currency has been extended to 360 days. Foreigners may acquire, issue or transfer shares in any company listed on the Colombo Stock Exchange (except for a few sectors such as banking,

the issued share capital of the company. For more information contact the Controller of Exchange or the Director-Information,

Central Bank of Sri Lanka. P.O.Box 590, Colombo 1, Sri Lanka. Tel: (94-1)421191, Fax: (94-1) 440353

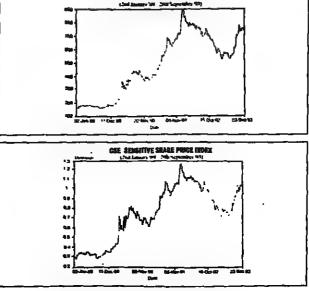
insurance and professional services) upto 100% of

Indicators of investor confidence: the Colombo Stock Exchange



The phenomenal growth in the activity of the Colombo Stock Exchange looks set to continue. Major indices are high and rising and the continually modernising Exchange - with one of the few scripless trading systems in Asia - is attracting intense interest from foreign investors.

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cious gems smuggled out of Sri Lanka could be as high as Colombo's annual foreign aid receipts, says a former governor of the country's central bank and an expert in the gem trade.

If Dr Neville Karunatilleke is right, then "unofficial exports" of Sri Lanka's fabled array of star rubies, cornflower-blue sapphires, tourmalines, moonstones, garnets and dozens of other precious gems, may be worth as much as \$300m a year. This would make gems Sri Lanka's largest single export after garments and tea.

Dr Karunatilleke's guesstimate for smuggled rough stones and gems is about double the official 1992 export figure for jewellery, diamond reexports and gems combined of

As Colombo moves towards a more liberal export-import regime and towards almost complete freedom of exchange controls, the chances are that smuggling will decline to a much lower level.

■ GEMS INDUSTRY

Old-fashioned attitudes

proportion of which is always likely to prove attractive to smugglers and tax evaders, is the need to catapult an old-fashioned industry into the

In the 1970s and early 1980s, for example, hundreds of Thai traders bought for a song what Sri Lankans then thought were worthless, milky-white so-called Geuda stones. The Thais took them to Bangkok, subjected them to specialised heat treatment and became the proud possessors of blue sanphires worth up to \$5,000 a carat, and often more than one hundred times what they paid

By the time the Sri Lankan

Even though Sri Lankans are no longer giving away their Geuda stones they have been slow to adopt the new technology and over 95 per cent (an stimated 6 tonnes a year) of Sri Lankan Geudas are still being sold to Thailand, mostly

As the technology has improved, even high-quality rubies and sapphires are now heat-treated to improve their colour. This can increase their value by four or five times and is now widely accepted in the world marketplace.

In Sri Lanka, traditional attitudes that heating a gem is somehow cheating has meant the industry has been slow to industry woke up to the fact it invest in the specialised fur-

Perhaps more important many hundreds of millions of than legitimising the trade, a dollars' worth of sales.

state Gem Corporation is try-jewellery design has been coming to remedy with a training pounded by the recent loss to programme and a campaign to persuade gem traders to adopt jewellers. the Thai technology.

Some progress has been made but because there is little vertical integration in the industry and many gem cutters operate on a cottage industry basis, gaining access to capital has not been easy. Current estimates are that 150 small operators are engaged in heat treatment

throughout the country, compared to 500 large professional operations in Bangkok alone. Sri Lanka has also been slow off the mark to add value by using the thousands of tiny less valuable gems in developing its jewellery export sector. The lack of initiative, poor access to capital and modern

pounded by the recent loss to the Middle East of many of its experienced gem cutters and

However, in the past few years about a dozen companies have made an impact on the market, notably Blue Diamoud, Eluwalla, Sifani and Zam Gems. Some have specialised in large-scale exports while others, such as Sifani, specialise in adaptations of top-ofthe-range jewellery.

Official Sri Lankan exports in jewellery have soared in the last two years from just SLRs94m in 1990 to SLRs310m in 1992. Purchases by foreign tourists, who carry jewellery out of the country unrecorded, could boost the value of the export trade to around SLRs1bn in 1993.

SRI LANKAN STATE GEM CORPORATION Exports (SLRs millions)

Year	Gems	Geuda¹	Jewellery	Diamonds ²	Total ³
		_	74	· <u>-</u>	2,029
1988	1,425	529		1.904	3,886
1989	1.351	554	77	-1	4,567
1980	1,840	597	94	2,036	
1991	1,569	634	252	1,986	4,441
1992	1,621	456	310	4,501	6,888
		000	122	1.523	2,656
1992	788	223			4,733
1993	900	234	180	3,419	
.: :.	·			treated to turn the	m jinto

*Sri Lanka does not mine dismonds. These are re-exports after cutting and

polishing *This does not reflect large-scale smuggling and in therefore list be the real figure First au monthe only

One notable success story for Sri Lanka has been the cutting and polishing of imported diamonds. In the space of just four years, with foreign capital and help, the industry has grown from nothing to annual exports projected this year at SLRs8bn; up 16 per cent on last year and nearly double that of

Although added value is only 20 per cent on diamond polishing compared to more than 95 per cent for gems mined domestically, many hope it will presage a new era for Sri Lanka's industry. The most ambitious are hoping the country will follow the Thai road and import rough stones and gems from all over the world, for cutting, polishing and making into jewellery.

To help achieve this goal, parliament has just passed two gem and jewellery authority to engage in research and offer. training and promotion, and a gem bank to provide access to much-needed capital. Sri Lanka's gem mining, cutting and jewellery business employs about 300,000 people in a country where 25 per cent of the land is said to be potentially gem bearing. Colombo seems finally to-

new acts setting up a national

have woken up to the fact that its main potential competitor and teacher, Thailand, is heading towards a business with a total annual turnover of \$40m in 1993 and it wants a much larger slice of the action.

Says Dr Karunatilleke: "Sri Lanka's industry has never been fully exploited because 80 per cent of it has been under ground. But with the new bank offering credit and the gem authority providing training T am optimistic that many traders will decide to go legitimate and give us the modern industry we are all looking for."

Richard Cowper

Profile: Zam Refai

Business has been kind

"HOW would you like to buy a gem of an island?" giggles Mr Z A M Refai's right-hand man, pushing across the desk a picture of a coconut-palmed para-dise, just off the coast of the tourist resort of Bentota, writes Richard Cowper.

Minutes earlier, Mr Refal or Zam, as he is known in the trade - was pocketing a \$30,000 sapphire that had been cut and polished by one of his most skilled employees.

Business has been kind to Mr Refai of ZAM Gems, the company named after his own initials. A Moslem from the coastal gem trading town of Beruwaia, 35 miles south of the capital of Colombo, he started business 28 years ago with capital of \$1,000 - a paltry sum in a trade where single gems can be worth hundreds of thousands of dollars.

Today, he is a multi-millionaire with five up-market jewellery shops, numerous jewellerv-making workshops and a turnover which he conservatively puts at \$2.5m a year.

Unlike the country's sophisticated and fabulously rich top 500 gem merchants, who have

ries from their mansions in the China Fort area of Beruwala, Mr Refai is a self-made man and he clearly revels in his

new-found wealth. In addition to the magical Barberyn island with its old white British lighthouse, he owns an exquisite blue aquamarine so huge that it is the biggest such gem ever found in this island of gems. At 946 carats, the size of a goose egg, the stone is a museum piece whose value can only be

Mr Refai, a trader at heart, says that at the right price he might be willing to sell. "What would that price be?"

1 asked.

"It's a huge draw at my most exclusive shop in the Hilton Hotel," he says. "But I might be prepared to accept \$250,000." Such information is rare in what is undoubtedly one of the world's most secretive trades. The easy transportability of gems worth huge sums has made them extremely attractive to smugglers, drug money launderers, tax evaders and

those who wish to avoid cur-

tion the nouveau riche and some members of the aristoc-

"How much did you pay for it?" I hazard.

"It took my best man one week to cut and polish it, for which I paid him \$2,500 and... pointing to his brand new fourwheel-drive vehicle... "It cost me less than I paid for this." he says with a laugh.

Fortune has treated me well. Mr Premadasa [the former president] gave me and all other gem and jewellery exporters an indefinite tax holiday. I don't pay any tax at

ail," he says. Until 1985, his sole business was the export of polished and cut gems such as rubles, topaz, moonstones and the famous blue sapphire for which Srl Lanka has been renowned for

nearly 2,500 years. But as tourism came into its own, he expanded into making fine jewellery, using gold and gems and copying western designs. He opened shops in several of Colombo's five-star hotels, opening up a niche in the market that has made him

jewellery exporters. With an uncanny ability to see the main chance, he has concentrated on the tourist market from Japan, a country which imports more gems and jewellery than any other in the

Not all is plain sailing. He is now exposed to the vagaries of the Sri Lankan political climate. After President Premadasa was assassinated in May, Mr Rafai hardly sold a piece of jewellery in his Colombo shops for three months.

But jewellery, although expanding fast, still accounts for just 20 per cent of his turnover and, should an emergency arise, he could always "slip a handful of sapphires into my pocket and sell them abroad for a small fortune."

Political stability is the key to the future and he is looking forward to the day when tourism - now at 400,000 visitors a year - reaches the 1m mark "Then I shall be a truly rich man," he says with a smile, giving the \$30,000 pink padmaraga sapphire in his pocket

■OR many Colombo businesspeople, the war against Tamil separatists in the north of the country seems very remote, writes Kie-

"We really don't notice it much down here," says Mr Tilak de Zoyza, managing director of the Associated Motorways (AMW) car

industry group.

AMW is one of Sri Lanka's biggest importers of cars and motorcycles, mainly from Japan. But its main business is what is known as tyre

rebuilding.

AMW collects used tyres and employs the latest technology to rebuild them. The rebuilt tyres have 80 per cent of the life of a new tyre. AMW's tyre rebuilding facility is one of the

biggest in the region. Mr de Zovza feels there could be more economic progress if the war ended. But of more immediate concern government economic policy. "There has been a remarkable change over the

past four years," says Mr de

Premadasa pushed through a

■ Profile: Associated Motorways

Joint ventures bring expertise

liberalise the economy, We were given tax incentives to encourage us to buy new machinery and employ more

As a result, business has been investing far more and reaping the dividends. This year AMW will have a turnover of about SLRs720m; double that of three years

Improved investment incentives plus the easing of exchange controls mean that companies have been able to enter into joint ventures with overseas investors, introducing much-needed technology and expertise to Sri Lankan

AMW has recently entered President into a joint venture to

manufacture tyres with the

giant RPG group of India.

It has started another tyre retreading operation with a Malaysian company and Mr de Zoyza is thinking of going into the shoe business, again with a company from Malaysia.

The whole business atmosphere has changed in recent years," says Mr de

While interest rates are high - more than 20 per cent credit is not so tightly controlled as it once was. The loosening of foreign exchange controls has been a key development.

"Not long ago one of the big state banks gave me a credit card with a limit of \$10,000. I've never had a credit card in my life. Such a thing was unthinkable only a few years

The AMW group now employs more than 2,000 people. AMW's capital has been increased by its listing on the Colombo stock exchange. Foreign shareholders control more than 20 per cent of the

group's squity.
We now realise we can't just depend on the home market for growth," says Mr de

We must export and we are expanding our manufacturing base to make us more

competitive in the region." AMW has several links with Japanese conglomerates. For many years it has been manufacturing motorcycle and

bicycle tyres in collaboration with the Japanese Inoui group. It is also hoping to resurrect an old relationship with Yuasa the Japanese battery

manufacturer. "The rising yen is creating problems for Japanese ousiness," says Mr de Zoyza "Companies like ours are building up the necessary expertise and industrial base to offer an alternative, low-cost manufacturing facility.

"Despite the war I'm optimistic about the future."

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R Shabbir Sangani head of Lanka can ments, has views which would raise eyebrows among Sri Lanka's economic planners, writes Kieran Cooke. "We should forget all this

business about becoming a newly industrialised country, says Mr Sangani. "If the economy does take off to rise. We'll lose our main

try will go elsewhere and then we'll create more problems than we've solved.' Mr Sangani is one of a new breed of entrepreneurs in Sri Lanka. At 29, he heads a fast-growing, privately-held business employing 1,500, with a

advantage; the garment indus-

He started Lanka Garments in the mid-1980s with \$15,000 capital loaned by his father.

turnover of more than \$3m last

Profile: Lanka Garments

A fast-growing business

and we start growing above 5 one on the outskirts of Col-more than 90 per cent female. set up under former President Premadasa's industry disburse-

ment programme. Lanka Garments produces ckets and rainwear for the

Very little of the product content is sourced in Sri Lanka. The fabric for a popular brand of lacket destined for the US market is purchased in China by a South Korean com-

The only thing sourced locally is the thread.

SLRs2.000 a month. A South Korean has been brought in to help supervise the work

She earns about 50 times the wages of a local but has paid her wage by increases in productivity," says Mr San-

Like other garment producers, Mr Sangani feels that Srl Lanka will face growing com-petition on wages from coun-tries such as Vietnam, India

and Bangladesh To hedge against any down-

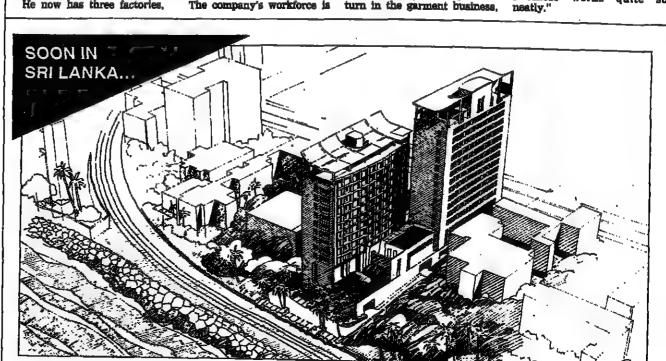
Mr Sangani has diversified into diamonds. A diamond cutting factory next door to Lanka Garments in Colombo now imploys 250 workers. An Israeli technical adviser

has been brought in. The uncut diamonds arrive from dealers in Antwerp and Tel Aviv. They are cut in Sri Lanks and then shipped for sale in Japan.

jewellery factory. The cut diamonds and the jewellery for their setting will then both b sent to Japan.

Mr Sangani has a half-Japanese Sri Lankan partner who makes the all-important contacts in Tokyo.

"I'm going to stick with these two industries," says Mr Sangani. "In theory, when textiles hits a rough patch, then diamonds will come to the rescue. But I know nothing in business works quite so



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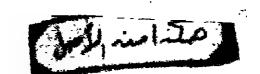
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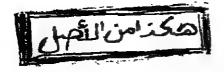
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■ TEA INDUSTRY

Gains despite loaded dice

FATE could not have been more cruel to the 22 companies which last year were awarded five-year profit-sharing management contracts to run Sri Lanka's decaying state planta-

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Richard Compa

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tion sector. When they picked up the reins at 450 government-owned tea, rubber and coconut estates in July 1992, they were well aware that the sector was los-ing about SLRsbbn (\$114m) a year - just over Si-Ra400m a month. Some estimates put losses over the last few

decades as high as SLRs50bn. What the companies could never have forecast was a year in which the worst drought in the living memory of many planters caused output in the sector's most lucrative crop, tea, to fall to just 179,000 tonnes - the lowest level for 36

If that were not pain enough. earlier this year they wers forced to absorb a 25 per cent government-imposed pay took over. Four companies say increase in an industry where wages already account for over 75 per cent of total costs.

In spite of the loaded dice, the companies contrived to make a sharp dent in overall losses by mounting a successful drive to eliminate theft, waste and poor labour management. They saved tens of millions of dollars in stolen tea, fertilisers, wages to ghost workers, bribes to officials and outrageously over-priced trans-

Says Mr L.G. Munasinghe, singhe, production is likely to Sri Lanka's Tea Commissioner. and the year at around 222,000

ween 8 to 10 per cent of

total turnover." The companies introduced new financial management iser and other improved practechniques, fired some of those caught thieving, sidelined the most inefficient and, most important of all, began the long process of improving agricultural field practices. Some notable gains have already been made. Average losses for the second half of last year

This year Sri Lanka is expected to regain its position as the world's largest exporter of tea

were cut sharply to around SLRs188m a month, and more dramstically, in the first half of 1998 to SLRs83m a month just 20 per cent-of the average monthly loss when they first they hope to make a profit this

Equally encouraging is the belief that better field practices have already helped to achieve a slight boost in tea output, though nobody can put a figure on the exact size of the increase. This year Sri Lanka is expected to regain its position as the world's largest exporter of tea, after falling into second place behind India

According to Mr Muna-

"Pilferage in the state sector tonnes - up about 25 per cent may have accounted for on last year, though not as high as the record 241,000 tonnes produced in 1991. He believes better used of fertiltises may enable Sri Lanka to boost output to 250,000 tonnes next year, if the weather is

> Further good news for companies struggling to turn their estates round is that Colombo is expected soon to announce substantial changes in the contracts awarded last year. These will probably include a decision to extend the contract from five years to 30 years, possibly with the option of a further 30-year extension.

Before the end of the year, I fully expect to be in a position to grant a new contract, possibly a usufruct contract of 30 years," says Mr Rupasena Karunatilleke, Sri Lanka's minister of plantation industries. The contract, which will mount to privatisation. The companies will no longer merely share in the profits - if there are any - but will bear

all the risks of any losses too." The longer contract is vital if companies are to take a long-term view and raise much needed capital to modernise the country's ageing planta-tions. Many of the tea bushes are 50 years old and of the wrong type, with scores of estates averaging output of just 1,000kg a hectare – less than half that of India and

The expectation is the Asian Development Bank will come up with about \$60m in low interest loans, which the government will lend to the industry, providing companies put up capital of their own.

Many estates are already improving their finances by diversification. Some have switched a proportion of their land into cash crops, while a few are looking at the feasibility of gem mining. Others are selling valuable timber resources; while one company is hoping to build a golf course and another is looking at the possibility of turning an old tea factory into a hotel. All this is heartening news for a sector stifled for decades by the dead weight of a top-heavy manage ment and bureaucracy that often seemed hardly to care whether the industry remained solvent or not.

Turning the industry around task. Unacceptably high wages are likely to remain a feature for several years to come while labour agitation in a highly unionised sector has already manifested itself in several strikes against management efforts to cut labour costs. Above all, it is in tea that Sri Lanka has the experience and expertise. But tea the expense of third world producing nations.

Richard Cowper

TEXTILES

Short-term outlook still seems bright

THE growth of Sri Lanka's textiles industry has been impressive. In 1977, textile exports were worth less than \$10m. By the mid 1980s, the figure had soured to \$280m.

The real growth in the indus-try has come in the past three years: in 1990, textiles and clothing exports were worth about 2500m. Last year, earnings from textiles exports rose to \$1.2bn. A healthy 38 per cent growth in the value of textile exports is projected for this

The ranki expansion of the textiles industry has transformed the Sri Laukan economy. A few years ago, agricultural produce - mainly tea, rubber and coconuts - accounted for the bulk of the country's export earnings. In 1992, textiles accounted for 49 per cent of total export earnings and made up 70 per cent of the value of manufacturing exports.

But while the textiles industry has been at the forefront of Sri Lanka's efforts to industrialise its economy there are

considerable problems. Sri Lanka has so far falled to build up an industrial base to service its textiles industry. Almost all fabrics, plus many other goods such as zips and buttons, are imported. Imports of textile goods last year were worth more than \$500m - some 50 per cent of the value of total textiles export carnings.

Textiles, particularly at the lower, less value-added end of the business, is a notoriously footloose industry. Sri Lanka is deeply concerned about competition from lower cost producers. "We are watching the emergence of Vietnam very closely," said an official in the Ministry of Handlooms and Textiles. "With lower wage rates, Vietnam and Bangladesh could very quickly mount a

challenge to our industry." At present the minimum wage in Sri Lanka's textile industry is SLRs2,000 (about \$40) a month.

Buoyed by the success of the textiles industry, the late President Premadasa inaugurated a programme to encourage 200 in country areas simply to gain textile enterprises to open furmore quotas and take advanther factories in rural areas. Serious problems of unemployment in country areas would thus be partly alleviated. Those who set up factories under the programme were given considerable tax incentives plus valuable allocations

of export quotas. To date, officials say about 120 factories have opened up in the countryside, although how many of these are fully operational is not clear. The programme's contribution to the overall health of the textiles

industry is questionable. Some manufacturers complain that they now have to time and money transporting materials to and from remote areas over often very badly maintained mads. Some manufacturers have opened factories

tage of the tax incentives offered. They often still carry out the bulk of production at facilities near Colombo.

Industry analysts say the quotas allocation under the 200 factories programme has not

Vietnam and Bangladesh are not the only countries which are challenging Sri Lanke's textile industry

been properly supervised. This has caused confusion over quotas with Sri Lanka now producing more than its quota allocation in some categories, less than its allocation in others. There is concern that unless Lanka could face difficulties in

upcoming quota negotiations. Balanced against these problems, the short-term outlook for the textiles industry still seems bright. The industry is beginning to attract some investments in more val-

ne-added products.

Progress is also being made in developing markets for non quota goods such as skirts, housecoats and nightwear. "We have to move upmarket; there is no alternative," said one official.

But for the moment, wages remain the critical factor. Competition at the lower end of the textiles market is intense. In these recessionary times textile buyers are looking even more closely at cost cutting. Vietnam and Bangladesh are

not the only countries which are challenging Sri Lanka's textile industry. A big US buyer recently decided to stop purchasing from suppliers in Sri Lanka and go instead to the Caribbean, where it could import US-made fabric for finishing and re-export back to the US.

"The next few years should still see industry growth," said one hig manufacturer, "But I would be far more cautious about the long term."

Kieran Cooke

Company profile: Eskimo Fashions

Wages have changed only a little

ESEIMO Fashions is a hot and dusty one-hour drive away from Colombo. At its factory in the middle of a coconut plantation Eskimo produces winter tights and gloves, mostly destined for the European market, writes Kieran

Eskimo is fully owned by the Ergee group, one of Germany's biggest textiles companies. Production started in 1982: Eskime new produces about 18,000 pairs of tights and 6,000 pairs of gloves each day.

Mr Hermann Michael-Lohs. Eskimo's managing director, says that Sri Lanka still has considerable labour cost advantages. Wages for the factory's 1,800 workers have changed little in the past 10 years. "In 1982, the minimum wage was SLRs520 a month now it is SLRs2.000. But in D-Mark terms, because of the devaluation of the rupes, the wage is about the same."

But Mr Michael-Lohs says that Sri Lanka's textile industry is still very underdeveloped, with no industrial base.
We import about 50 per cent
of our final product cost. That's high compared to many others - in some companies imported goods account for more than 90 per cent of the

A strike in India's textile industry underlined the need to maintain considerable stocks

> final cost. Sri Lanks is still mainly a textile producer and Eskimo imports its yarn from India or Indonesia. Not having a local supply of such goods means that Eskimo needs to keep more than two months of materials in stock

to ensure continuing produc-

tion. A recent strike in the

Indian textile industry underlined the need to maintain considerable stocks of mate-

"That's a big financial bur den and puts our costs up," says Mr Michael-Lohs. "We also have to find storage

Some design work is carried out in Sri Lanka and the workforce has been quick to learn new skills. But the more sophisticated production is still carried out at another Eskimo factory in Malaysia.

"We have a good labour force here, with good relations between workers and management," says Mr Michael-Lohs. "But we always have to keep a watch on wages. The moment they go up, we become uncompetitive. As a country tries to industrialise, the textile industry is always one of the pioneering industries. But it's also the first industry to move

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travel agents are now talking

arrivals fall to a miserable

course to exceed the figure of

400,000 for the first time since

violent ethnic riots left more

than 1,000 dead on the streets

cities, is the perfect winter des-

After a decade of civil war and unrest which saw tourist

of paradise regained.

tourist industry that enthusiastic hoteliers and

SRI LANKA 8



Tourism in Sri Lanka							
Year	Arrivals	% increase	Foreign exchange earnings (\$m)				
1966	18.989		1.3				
1970	48,247	15.0	3.6				
1975	103.204	21.4	22.4				
1980	321,780	28.6	110.7				
1982	407,230	9.8	146.6				
1985	257,456	18.9	82.2				
1989	104,782	1.1	76.0				
1990	297.888	61,3	132.4				
1991	317,703	6.7	156.5				
1992	393,669	19.3	198.5				
1992*	284,331	19					
1993*	286,359	1 1					

TOURISM

Back on track after unrest

Last year, 393,669 people thought just that - an extraor-185,000, the industry is on dinary increase of 24 per cent on the previous year. The industry has now become the country's third-largest official foreign exchange earner.

Few would deny that Sri After a decade of pennypinching, hoteliers are pulling Lanka, with its palm trees and beaches, old colonial hotels, out their cheque books. The delightful tea plantations and government has approved the spectacular ancient Buddhist construction of 35 new hotels worth about SLRs6bn. One thousand rooms are under con-

struction and 2,000 more are in the pipeline.

There is still over-capacity in Colombo's five-star hotels but the days when they courted shady Chinese gambling tycoons to set up casinos in their establishments because occupancy was so low, seem long gone.

Sri Lanka has commissioned a tourism master plan from the United Nations Development Programme (UNDP) and the

World Tourist Organisation (WTO) for the years to 2001. Mr M. N. L. Lantra, director of research and planning at the Ceylon Tourist Board, says the draft plan envisages total capi-tal expenditure of about \$400m

with a target of doubling tourist arrivals to about 850,000 by the year 2001. To achieve this, room capac-ity will need to double to just under 20,000 by the turn of the

century. Foreign exchange earnings are expected to increase from just under \$200m a year now to \$700m by the year 2001 at 1991 prices. Direct and indirect employment in the industry is forecast to grow from about

THE press release reads like an obituary for Asia's most vener-

able and charming hotel,

writes Richard Cowper. The

new management has "proven

experience in developing inter-

active tourism concepts... and

has received international

attention for the successful

conceptualisation, restoration

and redebut of the Raffles

Upmarket Disney has come

to Colombo's Galle Face Hotel.

To the consternation of hotel

cognoscenti the world over, Mr

Cyril Gardiner, one of Asia's

most idiosyncratic and much-

loved hoteliers, has signed

away day-to-day management

of the hotel that has been his

In August, Mr Gardiner, a

wealthy patrician businessman

who bought the Galle Face in

1960 after his OM car business

was wiped out by a complete

government ban on passenger

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Hotel in Singapore," it says.

The plan calls on Colombo to liberalise its air transport arrangements to attract additional foreign airlines and more charter operators.

Among many other recommendations, it urges the government to take account of environmental concerns, such as sewage outlets, and to make a special effort to ensure Colombo is made more attractive. Potential draws such as Galle Face Green and Beira Lake have been allowed to wither dismally, to the consternation of locals and foreigners alike.

There are two causes for concern on the hoteliers' horizon in spite of all the optimism.

Few would deny that Sri Lanks, with its pain trees and beaches, is the perfect destination

First, the world recession. Tourist arrivals in the first nine months of the year were up about 1 per cent on the same period in 1992 but the past three months have shown a worrying decline of 10 per

Tourists from the UK have visited Sri Lanka in record numbers but those from Ger-

■ Profile: Galle Face Hotel

many, Sri Lanka's biggest mar-ket, have declined sharply, as have those from France.

Second is the potentially lethal effect of a deterioration in the carefully-balanced secu-

For the past year, Tamil terrorism has largely been confined to the north of the country, out of bounds to tourists.

The number of foreign visitors actually increased in May this year despite the assassination in Colombo of the country's president. But a series of incldents directly involving tourists could undermine overnight all the hard work and invest-

Richard Cowper

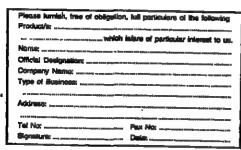


The EDB extends a wide spectrum of specialised services, including: providing in-depth me information (product and supplier-wise); formulating programmes for buyer visits; dispatching ams; introducing new suppliers; providing general and specific information (including supplier and supply capabilities); supporting and following up on negotiators,etc. The scale and scope of the EDB's services are matched only by the diversity of the

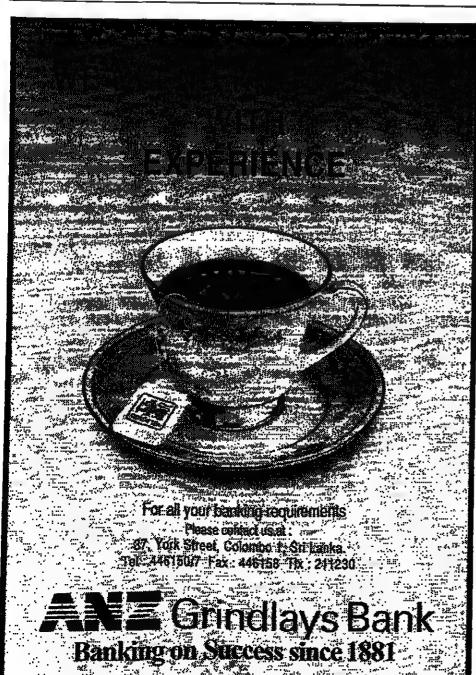
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vilaking the EDS a pivotal partner of both local suppliers and oversess buyers in the promotion of Sri Lanker products in world markets.









cars, signed a deal with DBS Land, the Singaporean government-backed company, which owns the Raffles Hotel.

in return for \$7m investment in the Galle Face, DBS Land has gained a 25 per cent share of a new joint venture which has been granted a 99-year lease on the hotel and sur-rounding land. The Raffles has been given a 30-year contract to manage the hotel.

For those who like their hotels well-packaged and easy to assimilate the gittzy Raffles

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treatment is likely to prove attractive.

But for those who seek an escape from theme hotels with lobby chandeliers and obsequious staff who say: "Have a nice day, sir" and for those who found Mr Gardiner's stately pile on the Indian Ocean near the top of their list, the new Gaile Face may prove a disappointment

Many formed a deep attachment to the faded grandeur of a hotel that outdoes the Taj in Bombay for architectural lendour and the Eastern and Oriental in Penang for dramatic seafront views.

Even the most committed of those who have stayed at the three-storey hotel - opened in 1864 next to Galle Face Green facing the Indian Ocean - would agree that it needs

The grandest ballroom in Asia outside Shanghai does not hide the fact that the hotel's roof is in need of replacement. A complete overhaul of the air conditioning, slectrics, plumbing and phone system is necessary, while one virtually unuseable wing needs complete

renovation. But despite all this the hotel works and the high-ceilinged rooms, with ancient barefoot waiters serving stengahs on a terrace the length of two cricket pitches, gives the place a unique magic. The fear is that the Raffles

management, with its driving commercial imperative, and coming from a city where money is king, may end up creating a highly expensive birthday cake out of one that has evolved in a stately fashion over the past 129 years.

Mr Gardiner, a man who gave discounts for non-smokers, never sacked an employee and for decades refused to countenance a shop in the confines of the 70-roomed hotel because it would smack of commercialism, may yet live to rue the day he made the

Or perhaps he is more canny than we can know. With a

accounts he has never borrowed and last year made profits of SLRs19m. At 71 he no longer has the energy he once had and, as he himself says: "I have to safeguard the Galle Face into the next century. The place needs renovation. and investment, but not too much investment.

His deal with DBS ensures that his staff are employed until retirement, that he still retains a controlling share of the joint venture companies' equity, and he still retains ultimate sanction over all physical alterations.

In the first development phase, over the next 12 months, DBS plans to spend most of its \$7m on training staff in Singapore, refurbishing existing rooms, restoring the south wing, adding four new restaurants and a shop, a busi-

But in the next phase there seems certain to be as many as a dozen new shops and there is already talk of an extension, one of the very reasons some believe that the Raffles lost its ambience in an attempt to capture the hordes of tourists who pass through Singapore on package tours.

The Raffles in Singapore had 1.5m visitors last year - about four times Sri Lanka's total tourist population. Mr Gardiner never liked his hotel too

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FRENCH FINANCE AND INVESTMENT

Wednesday October 27 1993

Recession persists and the remnants of market protectionism and government controls are still in evidence. However, the Balladur administration's recently launched privatisation programme could, if it is successful, propel the sector into a new era of modernisation, writes Alice Rawsthorn

Strains start to ease

WHEN Edmond Alphandéry, the French economy minister, this month announced that more than 2.8m private investors had applied for shares in Banque Nationale de Paris (BNP), he knew that the first phase of the French government's privatisation programme had been a success.

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The success of the privatisations is critical not only to the credibility of Mr Alphandery and the rest of the Balladur administration, but to the future of the French financial

The last privatisation drive, launched in the mid-1980s when Edouard Balladur was economy minister, marked the start of the modernisation of France's financial sector by loosening its old links with the state and heralding a new

wave of market deregulation. International investment has since flooded into France. Many of the leading players in French finance have expanded their activities into other countries. Yet the path towards modernisation has been impeded by lingering anachronisms from the old era of market protectionism and government controls. Although the humiliating spectacle of the Balladur government's climbdown in the Air France dispute has raised serious doubts among international investors about the strength of its commitment to liberalising indus-trial policy, in theory the new privatisation programme should be the catalyst for completing the process that Mr

Bailadur be tions, which could include the banking group and three insurance groups, Union des Assur-ances de Paris (UAP), Assurances Générales de France (AGF) and Groupe GAN, as well as that of BNP, could scarcely have been better timed.

The French economy is still in recession, but seems to have stabilised. Although no sign of industrial investment responding to lower interest rates has yet emerged and consumer confidence is depressed by the continuing rise in unemployment, the consensus among economists is that France will return to growth next year.

"There is no evidence yet of a general economic recovery," said Michel Albert, chairman of AGF. "We're still in a state of stagnation, but there are some positive signs."

It was this promise of recovery that secured the success of the BNP issue. BNP, like the other leading French banks, has had a hard time over the past two years. The credit mar-ket has been static for the first time since the second world war and the banks have been forced to make hefty provisions because of the rise in business failures and the collapse of the commercial property market.

All the French banks have suffered but by far the most vulnerable has been Crédit Lyonnais, which last year crashed into the red because of its exposure to a string of corporate horror stories, from the late Robert Maxwell media empire to MGM, the troubled Hollywood movie studio.

Despite the Air France deba- The banks are still under cle, the Balladur privatisa- strein, but most analysis sus-



The ministry of economy and finance at Bercy, Paris: the entire financial system should benefit from the impact of privatisation on the Paris stockmentet

now more stable, as is the property market and, although the banks may have to make more provisions on small corporate loans, they do at least have breathing space to tackle internal issues such as cost cutting and productivity improvements.

Our performance at the moment is still influenced by the economic situation," said Michel Pébereau, chairman of BNP, "The economy will eventually recover and in the meantime we must concentrate on becoming more efficient and on controlling costs."

The insurance industry is in a similar predicament, albeit for different reasons. The main difficulties for the French insurers were intense commetition from the banks and spe-cialist mutuals groups in the sales of the Crédit Lyonnais for Crédit Lyonnais. Trading is buoyant life insurance busi-

ness and a steep increase in claims in the less resilient damage sector. They have also been affected by falling com-mercial property prices, which meant they could no longer compensate for their trading problems with lucrative real estate deals.

Those pressures are now easing. Commercial property is still in the doldrums but the insurers, like the banks, are starting to benefit from recent cost cutting and technology initiatives. Life insurance remains competitive, but the growth of the mutuels seems to have peaked and the market has continued to grow in spite of the recession. Signs of ing in the damage sector, where compenies have count-

increasing premiums. François

Hellbronner, chairman of tors are keen to take advan-GAN, expects the industry next year to come out of the red in damage insurance.

As a result UAP, AGF, GAN and eventually Credit Lyonnais should be able to present investors with convincing recovery stories when their privatisations get under way. They should also benefit, as did BNP, from the high level of interest in French equities on the part of international investors. The Balladur privatisations have come at a time when US and Japanese investage of their strong currencles and the US mutual funds are in the process of internationalshould seem even more attrac-

tive to the public against the

dwindling returns on bonds

The companies themselves

all appear to welcome the pros-

pect of privatisation. "Privati-

sation won't be a revolutionary

process for us," said Mr Albert

of AGF. "Don't forget we were

a private company for many

years before we were national-

ised in 1946. We've also been

preparing to be re-privatised

since 1986 and if it had not

been for the 1987 stockmarket

crash we'd have been sold off

and cash savings schemes,

ising their portfolios.

The level of interest among the French public is also high, as illustrated by the BNP issue. Mr Balladur plans to use the privatisation drive to boost share ownership in France. Last summer's ingenious Balladur bond' and the decision to price BNP's shares so cheaply are just two of the tactics he has employed. Further, as interest rates fall, equities all our employees realise that profitability is our goal."

six years ago. We've already changed the culture of the company by making sure that

some changes. The most obvi-ous differences will be that the government will no longer be able to hire - and fire - senior executives, and that the com-panies themselves should have more flexibility to raise capital by issuing new shares. The banks may also have more freedom to determine their own policies on interest rates

Moreover, the entire financial system should benefit from the impact of privatisation on the Paris stockmarket. One of the market's main problems has been a lack of liquidity. caused by a shortage of equity and investment. Privatisation will provide an instant, if partial solution by releasing up to FFr45bn (£5.24bn) of new shares on to the Paris market this year and at least FFr55bn next year. It should also help to address the investment issue by bringing new capital from international institutions and the French public into

The next landmark for the French financial sector after privatisation will be pension reform, which will not only provide a profitable source of new business for the banks and insurers but should also include the creation of private pension funds.

Pension reform is still at a preliminary stage. Mr Balladur only recently asked Mr Alphandéry to create a working party to examine the options for the future. It will be years before the French pension funds can achieve the size and stature of the established funds in the US and the UK.

Yet the formation of fledgling pension funds is at least a step in the right direction. In the long term, the growth of such institutions should ensure that the Paris markets have the support of the type of powerful independent investors that already underpin the markets in London and New York thereby helping to complets the modernisation of the French financial system.

A more dynamic strategy is needed to set the country on its feet again

Changing economic tune

WHEN Edouard Balladur this spring moved into his opulent new offices at the Hôtel de Matignon, the French prime minister's residence, one word cropped up again and again in his speeches - auster-

Austerity, said Mr Balladur, was the only way that the government could regain control of the French economy and haul it out of recession: He has since changed his tune. Mr Balladur now accepts that he has to adopt a more dynamic strategy if he is to succeed in revitalising the economy - and stemming the rising tide of memployment - before his centre-right coalition comes up for reelection in spring 1995.

The Balladur government has since unveiled a series of reflationary measures. a public works programme, income tax cuts and employment reform - in a desperate attempt to end the recession. The critical question, with little more than a year to go before the 1995 elections, is whether his efforts will be enough.

Mr Balladur has a tough task on his hands. France took far longer to slip into recession than most of its competitors. The economy continued to grow, albeit at a slackening pace, until the final quarter of last year. It has since stayed stubbornly in recession – squeezed by high real interest rates and a strong currency - with a hefty budget deficit and escalating unem-

Interest rates have fallen steadily since the centre-right took power in late March. The franc has also weakened after the ERM crisis in early August when France, like its fellow European Community member states, was forced to widen its ERM trading bands from 2.25 per cent to 15 per

Yet so far there has been little improvement in France's economic performance. The problems of its trading partners, notably Germany, have undermined corporate confidence. The industrial output index stabilised over the summer, having fallen by an average of 1.9 per cent in the first quarter and 0.3 per cent in the second. But a recent report by Société Générale described the "apparent stability" às "very

Unemployment levelled this summer with the number of people out of work rising in August by just 4,000 to 3.22m, or 11.7 per cent of the workforce, compared with average monthly job losses of 30,000 during the spring. But the rate of job losses is expected to accelerate in the autumn. OFCE, the economic institute, expects the unemployment total to reach 3.4m, or 12.4 per cent of the workforce, by FFr317bn this year. Private sector scono-



rd Balladur; hauling France out of recession will be a tough task

on expenditure. Consumer spending has also been depressed by the high rate of real interest rates, whereby inflation is significantly lower than base rates, in spite of the recent round of rate reductions, making it more attractive for the French to save, rather than spend their

The personal savings ratio, which fell to rage of 10.9 per cent in the boom year of 1987, rose to 12.8 per cent last year and now hovers well above 13 per cent, according to Societé Générale.

The Balladur government is trying to reverse the trend. Michel Giraud, employ-

ment minister, this summer launched a series of reforms intended to relax France's notoriously strict employment laws. These included making the 39-hour working week more flexible and waiving employers' social security contributions for the first three new workers they hire.

Nicolas Sarkozy, budget minister, this autumn joined the first by including in his 1994 budget plan FFr19bn of tax cuts, directed principally at the middle classes,

and fiscal reforms aimed at shifting French savings towards housing and con-Most economists, and even Mr Balladur's own back benchers, doubt that these will be adequate. But the French government has little room for manoeuvre. One. important constraint is the budget deficit, which limits the scope for public sector spending Mr Sarkozy's official estimates suggest that the deficit will reach

the end of the year.

As a result consumer confidence has remained weak with an inevitable effect that the state of the year.

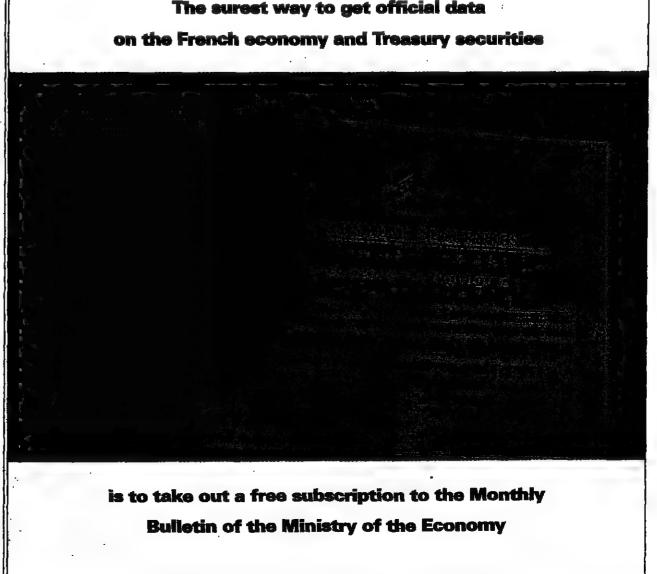
As a result consumer confidence has remained weak with an inevitable effect that the government's ability to reduce interest rates is inhibited by the defort the next elections.

need to protect the franc. The French currency has remained relatively robust since the ERM crisis, buoyed by the Bank of France's cautious rate reductions. This policy seems set to continue given that the French authorities are not only anxious about the risk of endangering the franc, but are also keen for the central bank to rebuild its reserves after the ERM crisis and to repay its debts to Germany's Bundesbank. It will be able to accomplish both tasks more easily if the franc stays strong

As a result France's economic prospects are pedestrian, at best. Mr Sarkozy hopes to reduce the budget deficit to FFr300bn next year, thanks to FFr55bn of privatisation proceeds and an anticipated increase in French exports which, he expects, to fuel real growth in gross domestic product of 1.4 per cent.

Other observers are less optimistic. Jean-François Mercier, chief French economist at Salomon Brothers, suspects that the economic difficulties elsewhere in Europe, notably in Germany, will impede France's export growth and that domestic demand will remain depressed. He predicts significantly allower growth in GDP of 0.5 percentage points for France in 1994 with a deficit of FFr350bn to FFr360bn.

The OFCE agrees. It is braced for even lower GDP growth of 0.3 percentage points next year with unemployment rising to 3.7m, or 13.6 per cent of the workforce by the end of 1994. Jean-Paul Fitoussi, head of the OFCE, described Mr Balladur's reflationary measures as steps in the right direction. But he holds out little hope of seeing the French dole queues shortening



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The banking industry is looking forward to a year of recovery in 1995

The clouds begin to lift

NOW that the dust has settled after the successful privatisation of Banque Nationale de Paris (BNP), the talking point in French banking circles has moved back to that old favourite, Crédit Lyonnais, and to how much longer Jean-Yves Haberer can cling on to the chairmanship.

Mr Haberer has already hinted that he is on his way out. He recently confirmed that he was considering the offer of another public sector post which is rumoured to be the chairmanship of Crédit

The favourite candidate to succeed him at Crédit Lyonnais is Jean Peyrelevade, now head of Union des Assurances de Paris (UAP), the largest

French insurance group. The choice of Mr Peyrelevade looks suspiciously like a calculated piece of political spite on the part of the centreright Balladur government. Mr Peyrelevade was a socialist appointee, but he is far too influential in French financial circles for the government to

The chairmanship of one of France's biggest and most glamorous banks is too prestigious a position to be refused. but it also involves the unenviable task of tackling Crédit Lyonnals' financial problems and hauling the bank back into

Luckily for Mr Peyrelevade. or for whoever else takes the helm, the worst may well be over for Crédit Lyonnais and its fellow French banks. The French banking industry has had a tough two years due to the painful combination of a sluggish credit market and the

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Société Genera

Credit mutual

Banque Paribas

"Part of Groupe GAN, "Part of Sue

need to make hefty provisions on falling property values and sour corporate loans.

The clouds are now lifting. The French economy is still in recession, the credit market has yet to respond to the recent reductions in interest rates and the corporate sector remains under intense pressure. But the situation has stabilised and recovery is now in

"I feel that we're at the bottom of the economic cycle," said Michel Pébereau, chairman of BNP. "Our small corporate clients are less pessimistic

Leading revival will be a reduction in the high level of provisions

and there has been a slight improvement in the residential property market. The economy ought to recover progressively

The revival of the banking sector is likely to lag a little behind the rest of the economy. One catalyst for its recovery will be an upturn in demand for credit, which should start to improve against the backdrop of the Balladur government's steady reduc-tions in interest rates. However the trauma of the recession, the first in France since the mid-1970s oil shocks, is likely to make companies cau-

tious about borrowing money. Consumers are in a similar state and are likely to remain nervous for as long as the toll of job losses continues to rise. "It will take time for confi-

dence to recover both in the

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consumers," said Sheila Gar- windfall trading profits on currard, European banking analyst at Lehman Brothers in London. "There is usually a time lag between the end of a recession and a banking recovery. But this recession seemed to hit the French banks very fast, so they may well recover

rency and equities.

Ms Garrard of Lehman

Brothers expects the level of

provisions to stabilise next

year and to return to "a more

normal level" next year.

"Investors have already writ-

ten off 1993 for the French

chairmen's statements, we can

expect more of the same in 1994," she said. "But everyone

expects 1995 to be a year of

Meanwhile the banks are

adopting a restrained approach

on the strategic front. Even

Crédit Lyonnais, which pur-

sued an aggressive policy of

lending and international expansion under Mr Haberer in

the late 1980s, sees the mid-

1990s as a period for consolida-

The new chairman's top pri

orities will be to stabilise the

group and repair its balance

sheet so that it is in a suitable

Société Générale, has made it

clear that, although he might

expand the group's industrial

Paribas is still licking its

wounds by cutting costs and

slowly pruning out peripheral interests after the trauma of its

Meanwhile Mr Pébersau sees

his strategy at BNP as evolu-

tionary, rather than revolu-

tionary. His international

plans centre on developing

BNP's partnership with Dresd-ner Bank of Germany. After

BNP's privatisation the two

banks have been awaiting the

They may then, according to

"We just couldn't go out and

out getting involved with dan-

gerous and expensive invest-

first-ever loss in 1991.

Marc Viénot, chairman of

state for privatisation.

banks and, according to recent

The speed of the banks' recovery could be checked by the constant threat of fresh competition from the French post office and other financial services groups, notably the insurers. Conversely the banks should soon benefit from the impact of the productivity progammes implemented in the early 1990s, when they shed staff and invested in new tech-

However the main trigger for the banks' revival will be a reduction in the high level of provisions they have had to make in recent years. Almost all the banks faced heavy writedowns in 1992 because of the downturn in the commercial property market and the steep increase in business failures among smaller corporate

Crédit Lyonnais, which went into the red last year, has also been burdened by its exposure to a string of corporate catas-trophes such as the Maxwell media empire and MGM, the stricken Hollywood film studio.

The property market has stabilised this year. But the rate of business failures is still frighteningly high. Some banks, including BNP and Paribas, have also faced writedowns on sovereign loans, although the provisioning problem was mitigated in the first half because of the banks

European Commission's approval before finalising the corporate sector and among terms of their proposed share The French Banks Net prolite Mr Pébereau, consider linking up with other European banks. 1992 1991 1992 1991 1992 albeit on a commercial basis, 4.9 3.2 2.9 3.4 0.7 1.6 1.0 0.8 -1.7 0.9 not through equity exchanges. -1.8 2.1 3.3 0.1 1.2 1.5 0.1 0.6 0.97 36 28.1 25.7 13 13.1 11.7 7,9 buy a bank in each country within the European Community, it would be too costly and complicated," he said. "The Dresdner agreement enables us to expand within Europe with-

Crédit Lyonnais' headquarters in Paris: after a tough two years, the worst may well be over for the banking industry

Insurers aim to exploit two new areas - pensions and health insurance

Consolidating operations

CLINCHING a deal is almost always important to any banking activities, he favours caution on the international self-respecting company chairman, but Jean Peyrelevade, chairman of Union des Assurances de Paris (UAP) was particularly relieved to conclude his company's recent agree-ment with Suez, the French

holding company. Mr Peyrelevade had for more than four years been trying to persuade Suez to cede its controlling interest in Colonia, the second largest German insurer. to UAP. This autumn hs became even more anxious to reach an agreement before UAP's forthcoming privatisation in the face of flerce speculation about his own possible move to become chairman of

Crédit Lyonnais. The main obstacle to UAP's ambitions was Gérard Worms, his opposite number at Suez who had worked for Mr Peyrelevade in the mid-1980s when the latter was chairman of Suez. Whenever UAP and Suez had come close to agreeing a deal in their four years of talks, Mr Worms had hung out for more cash. But Suez has in the past year come under se financial pressure and Mr Payrelevade seized his

UAP now owns a controlling stake in Colonia and as a result has leant up the insurance industry league table to the second lan insurer in Europe after Germany's powerful Allianz group. Mr Peyrelevade has made no secret of the fact that UAP's next objective will be to oust Allianz from the top slot.

The triumph of the Colonia deal marked a turning point, not only for UAP, but for the rest of the FFr672bn French insurance industry.

France's insurers had a tough time in the early 1990s. The Big Four insurance companies - UAP, Axa, Assurances Générales de Paris (AGF) and Groupe GAN - all suffered falls in profits last year because of the parallel problems of the depressed insur-ance market and the effect of the recession on their property

sector, is showing signs of improvement. The life business is in a position to benefit from the expansion of two new product areas - private pensions

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Net profits of Big Four insurers in (FFr billion)

and health policies. Meanwhile the three statecontrolled insurers ~ UAP. AGF and GAN - are all preparing for sale to the private sector as part of the Balladur government's privatisation

The condition of the French insurance industry differs widely from sector to sector. Demand for life insurance has

Turnover of all Prench insurers				
Year	FFr billion			
1987	348			
1988	412			
1986	494			
1990	534			
1991 595				
1992	672			
	Source: FFBA			

continued to grow throughout the recession as the nervous French have put their spare cash into long term savings

sion of the mutuels, the specialist financial services companies that grew rapidly in the 1960s, has been checked.

The life insurance market is still buoyant," said Michel Albert, chairman of AGF. "But the banks have taken most of the growth, rather than the traditional insurers, and profitability is depressed because of the level of competition and reductions in interest rates."

These pressures seem likely to intensify for the foreseeable future, but the insurers do hope to exploit two new

growth areas - private pensions, following the forthcoming reform of the state pension

system, and private health insurance, as the government progressively reduces its contribution to the cost of medical Meanwhile the damage insurance market, which was hammered by the recession, is now improving. The insurers have sustained heavy losses in

this sector, partly because of

escalating commercial claims

and partly because of a steep increase in car thefts. Until recently these difficulties were aggravated by the insurers' reluctance to risk losing business by raising premiums. However premiums have since risen thereby lessening the pressure on profitability.

Most companies, including GAN, have been raising premiums," said François Heilbronner, chairman of GAN. "The industry as a whole still isn't technically profitable in damage insurance, but most comyear."

However, the insurers face a long wait before they can hope to augment the profits from their insurance interests with the proceeds of property disposals as they did in the late

Many companies last year had to make hefty provisions on their losses in the property market (generally sustained by banking subsidiaries). The property market has since stabilised, and signs of recovery are beginning to appear in the residential sector, but there is still little scope for lucrative property deals. As a result the big French

Insurers see the mid-1990s as a period of consolidation. The emphasis of their domestic operations is to improve productivity by cutting costs. Some companies, notably AGF, have invested heavily in staff training and information technology to streamline their distribution networks. Others. such as Axa, have experimented with new techniques, such as direct marketing, which could eventually create a cheaper distribution system.

The French insurers are also consolidating their international operations. Mr Peyrelevade has said that the Colonia deal will be UAP's last big acquisition for some time, although the group is continuing talks to try to expand its UK business.

Similarly AGF, having succeeded in acquiring a 33.5 per cent stake in Germany's AMB, envisages a more cautious approach to expansion. Mr Albert said it was time for the group to "consolidate our international operations by improving their profitability". He also said he hoped that privatisation would provide an opportunity to cement AGF's new network by enabling its new partners to buy its shares as noyaux durs, or "hard core" investors

Moreover Mr Albert is convinced that the network of strategic stakes and crossshareholdings amassed by AGF and UAP will be the blueprint for European insurers in the

The AGF of the future will look like a federation, rather than an empire," he said. There are synergies to be found in information technology, reinsurance and risk control. But the European insurance markets are too different to create huge, centralised

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1.25.

A COMPETITIVE Yet the industry is now edg-AND PRO-BUSINESS ENVIRONMENT ing towards recovery. The worst affected area of the insurance market, the damage The Frence

France is one of the most attractive countries in the world for international investment. International direct investment (IDI) inflows have quadrupled in the past decade from US 54 billion in 1987 to US \$16 billion in 1992, taking France to the top of the GS league for inward foreign direct investment growth. A sound and solid platform for investment

More than 8,000 foreign companies have invested in France, 4,000 have set up manufacturing facilities and 400 carry out research activities. This shows the growing interest of tional investors for France. A pro-business environment

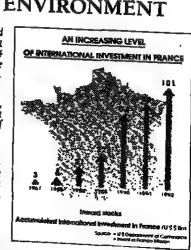
France has one of Europe's most liberal regulatory environ-ments for international investment. Corporate tuxes have been lowered progressively from 50% to 33.3% in the past eight years. Value added tax (VAT) has declined (for example, from 33.3% to 18.6% on automobiles since late 1992).

Competitive labour costs and productivity Labour productivity in French manufacturing grew on average 5% a year over the past ten years. A 1992 Mc Kinsey survey shows that productivity in France is the second highest in the world after the United States.

International firms play a major role in the French economy In 1991. Foreign owned companies in manufacturing accoun-ted for 26% of the added value, 22% of the workforce, 27% of investments and 30% of exports.

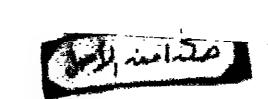
Investment in France is profitable
"The Economist" wrote in February 1993: "Where would investors have enjoyed the best returns on their money over the past ten years? THE ANSWER IS FRENCH EQUITIES — \$100 invested in French shares at the start of 1983 would have been worth \$902 at the end of 1992. In representations of the start of 1992 in the terms French equities yielded an annual average return of no less than 20% over the ten years".

The program to privatize 21 major French companies, including banks (BNP, Crédit Lyonnais), insurance companies (UAP, GAN, AGF) and industrial firms (Elf, Renault, Total, Rhône-Poulenc...) offers new business opportunities to international investors.



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■ THE CORPORATE SECTOR

Less grim than signs suggest

round of interim statements from the heads of large French companies could be forgiven for thinking that corporate France was in a sorry state. The French economy is still in recession. There is no sign of an upturn in domestic demand and the franc is too strong to trigger an increase in exports. The companies quoted on the CAC-40 Index are now nearing the end of their fourth successive year of earnings decline.

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Yet the full picture is not quite as grim as the interim statements suggest. Analysts have already written off 1993 as yet another year of

The corporate sector is now in a positive cash position for the first time in decades, according to the Bank of France

depressed earnings, but they expect 1994 to mark the start of the recovery. Moreover corporate France is in sound financial shape. The corporate sector is now in a positive cash position for the first time in decades, according to the

Bank of France. These positive signs have sent the CAC-40 index soaring for much of this year, Foreign investors, particularly the US and UK institutions, have poured new capital into France. A number of French companies, notably the Axa der electrical engineering con-cern, have taken advantage of their strong share prices by staging capital-raising exer-

The senia-tinted analysis of the French corporate sector should not be overstated. Many companies are still under intense financial pres-

The domestic market has been sluggish for some time but until last antumn, French industry did at least have the consolation of strong export growth, thanks to the combi-nation of years of low inflation and a competitive currency.

Last autumn's currency crisis put a stop to that. The franc's relative strength since September 1993 has not only reduced reported profits from international subsidiaries but has dealt a devastating blow to sales of French products in weaker currency countries such as the UK, Spain and

The export squeeze is one of the main difficulties facing LVMH, the luxury goods group, which recently issued a profits warning for the full year after announcing a fall in first half profits. Peugeot, the car maker, blamed adverse exchange rates for its first half losses, as did Michelin, the tyre group. Renault, the other major French motor company, saw its recovery checked by a steep fall in interim net prof-

The picture is equally bleak on the domestic front. Con-sumer spending is still stub-bornly static. There is also no sign of an increase in indus-

ANYONE who read the recent trial investment, partly because French companies are continuing to bask in the benefits of their beavy investme in the late 1980s and partly because the depressed state of demand leaves them with little incentive to increase capacity.

the public's interest

A number of retail groups, including Pinault-Printemps and BHV, have recently announced reduced interim profits. The banking and insurance groups are still being forced to make steep provisions because of the prop-erty crisis and the alarming rate of small company failures. Crédit Lyonnais, the most vulnerable of the big banks, recently reported a Ffribu interim net loss.

Unsurprisingly, the toll of job losses has continued. The number of people out of work has risen by more than 200,000 since the start of this year to reach over 3.22m, or 11.7 per cent of the workforce. A number of large groups have accelerated their rationalisation drives, including Air France and Michelin. LVMH is embrolled in an ugly battle with the champagne trade unions over its plans to shed staff for the first time in the champagne industry's history.

The Balladur government hopes that unemployment will stabilise next year, albeit at a frighteningly high level. Even the most pessimistic private sector economists expect to see some growth for French gross domestic product in 1994. Cor-porate profits should also anticipates a 40 per cent increase in CAC-40 earnings

The privatisation drive has triggered a flurry of negotiations over cross-shareholdings and strategic stakes

for 1994 (fuelled mainly by the financial sector) after a 14.8 per cent full in 1993.

Corporate activity is already picking up. The government's privatisation drive has triggered a flurry of negotiations over cross-shareholdings and strategic stakes as companies volunteer to be noyaux durs, or 'hard core' shareholders, in the privatisation candidates. The government was spoilt for choice in selecting noyaux durs for Banque Nationale de Paris (BNP), the first privati-sation issue. It is now lining up candidates for future sales.

Privatisation has also her-alded a series of 'parallel' deals. Renault has finally completed its long-awaited merger with Sweden's Volvo. Union des Assurances de Paris speeded up talks with the Suzz holding company to finalise its deal over control of Colonia, the German insurer, before its privatisation gets under way.

Meanwhile Lafarge Coppée and Générale des Kaux have joined the queue of private sector companies raising capi-tal from the Paris markets, so that they can take advantage of any strategic opportunities that arise while the franc is still strong and the stock mar-

ket is buoyant.

IN THE unveiling of his old monopolies were abolish privatisation plans, Edmond Alphandery, the French econ-omy minister, made clear that closed markets opened and the Matif, now one of the world's largest futures markets, was his government saw the share

sales not only as a means of raising capital, but also as a However the stockmarket's progress has since been impeded by the survival of old anachronisms such as the chance to raise the level of investment in the Paris stockimpôt de bourse, the tax on share transactions, and the strict rules on block trading. The market has long been waiting for such an initiative The last real boost for French

equities was the centre-right The main issue facing government's privatisation drive in 1986 and 1987, which the Paris stockmarket drew international investors is its low level of liquidity into the Paris market and encouraged the French public - the legacy of a dearth of equity and capital to switch some of their savings into equities.

International investors have which have prompted many continued to plough their money into France, but the traders to execute larger deals in London rather than Paris. Edouard Balladur's govern-October 1987 stockmarket crash brought the French pubment, like that of the late Piarre Bérégovoy, his socialist predecessor, has tried to address these difficulties with lic's new found interest in share ownership to an abrupt halt. The current round of primixed success. Meanwhile the vatisations offers an ideal opportunity to try to rekindle overwheening issue facing the Paris stockmarket is its rela-The privatisations could not tively low level of liquidity have come at a better time. the legacy of a dearth of equity from the stockmarket's per-

and of capital. spective. The French financial The equity shortage is due partly to the nepotistic struc-ture of the French corporate sector was transformed in the late 1980s by a sweeping deregulation programme in which sector whereby many large

companies, including Michelia and L'Oréal, are still controlled by their founding families. The other groups have negotiated so many cross-shareholdings and 'sweetheart' deals that they are not only virtually bid-proof, but only a small proportion of their shares are actu-

Another contributor to the equity problem is the power of the state, which still controls many of France's largest companies. The Balladur privatisations represent a powerful, if partial, solution by unleashing around FFr45hn of new shares on to the stockmarket this year and at least FFr55bn next year. "Liquidity has been a prob-lem for the Paris market, but the situation is getting better," said David Harrington, French

ally traded.

market analyst at James Capel "The privatisations should help and we have also seen a great deal of private sector activity this year with convertible bond and warrant issues. By the end of 1963 the Paris market will have been tapped

for up to FF170bm." Privatisation should also help to assuage the other side of the liquidity problem: the shortage of capital caused by

the French towards equity investment and the state's stranglehold over the pension system, which means that Paris, unlike London and New York, can not count on an influx of investment from pri-vate pension funds.

The forthcoming reform of French pensions, which is likely to involve the creation of private pension funds, should provide a long-term solution to this problem. But in the meantime the privatisations should at least bring in a short-term flow of capital from foreign institutions and the French The increase in foreign

investment was one of the main achievements of France's last privatisation drive. The 1986 and 1987 share sales provided an opening for international investors into the Paris market and the proportion of French equities in foreign hands has since increased steadily, rising from 21 per cent to 28 per cent in the last two years alone, according to the Bank of France,

So far the present privatisa-tion plan seems set to bring yet more foreign capital into France. The government was forced after just two days to close the institutional part of

Banque Nationale de Paris (BNP) share sale, because of strong demand, particularly from US investors.

These investors were undoubtedly attracted by the mexpectedly low price of the BNP shares. The strong dollar was an additional incentive for US investors, as was the strong yen for the Japanese. However,

Recent interest rate reductions and the hope of further cuts should make equities seem increasingly attractive

analysts have also detected an underlying increase in interest in the Paris market.

"This is a great time to buy French shares," said Thierry Tamers, head of North American sales at Baring Securities in Paris. "The economy is probably at the bottom of the cycle and many of the privatisation candidates, like BNP, are recovery stocks."

The successful outcome of the public part of the BNP issue also boded well for the government's prospects of per-suading the French public to

its first privatisation, the tions. The French responded well to the mid-1980s privatisa-tions - when 11 per cent of the population bought FFr40bn, or almost a third, of the available shares - but the 1987 crash dashed the government's hopes of boosting share ownership. The number of private investors has since fallen from 5.5m to less than 4.5m.

The Balladur government hopes to reverse this trend. This summer's FFr110bn Balladur bond' issue was cleverly designed as a bridge to persuade the French to switch their savings, first into govern-ment bonds, and then into privatisation shares, Recent reductions in interest rates, coupled with the prospect of further cuts, should make equities seem increasingly attractive in comparison with the dwindling returns on cash mvestments

"Everything is conspiring to make the equity market look very attractive against cash a savings glut, low inflation and falling interest rates," said James Capel's Mr Harrington. "We're still waiting to see a flow of funds from cash into shares in France. The privatisation programme may be exactly what investors have

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ORE than 300 people were killed and hundreds injured earlier this month in one of the fiercest battles of the 11-year war between Sri Lanka's armed forces and Tamil Tiger guerril-

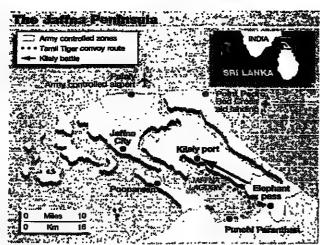
But political and military observers say what was unusual about the battle for Kilaly - a small guerrilla port on the edge of the Jaffna lagoon - was not the scale of the action but the fact that seven Sri Lankan army officers were killed in the fighting.

Army officers, members of a once largely ceremonial force, have not been noted for leading from the front. But after nearly a year of inactivity fol-lowing the deaths of several senior commanders in a landmine explosion, there is now a new grit and determination a the top in Sri Lanka's 80,000strong army.

The country's senior military commanders, confident they have the country's troubled Eastern province under control, say they have at last been given the go-shead to retake the rebel-held northern peninsula of Jaffua, from which they were expelled in humiliating stances in 1990.

This confidence appears to be percolating down to even the most battle-weary of frontSECURITY

Fresh confidence among army chiefs



officers. President D. B. Wijetunga - angered by earlier political prevarication. the assassination in May of President Ranasinghe Premadasa and the high cost of a war that has claimed 32,000 lives - has publicly vowed to crush

Not for him the policy of his predecessor who accomodated guerrillas in five-star hotels. Mr Wijetunga appears to believe it is not possible to negotiate with Mr Velupillai Prabhakaran, the autocratic and militarily brilliant leader of the Tigers. "There is no eth-

nic problem in the north, only terrorlsm," says Mr Wijetunga. Defence Department officials refuse to say when the main offensive across the war-torn Jaffna peninsula – also home to about 600,000 Tamil civilians - is likely to be launched. But military commanders hint that it could come next year.

The army has already started building up its strength. Ten thousand new recruits are under training and more are expected. The total complement may end up at

The military plans to buy helicopter gunships, landing craft and fast patrol boats for mated 3,000-4,000 well-armed and trained guerrillas who have been fighting for an inde-pendent Tamil homeland. Part of the explanation for

the more determined political will in Colombo, and the army's new confidence, may lie in the recent success the military has had in bringing an element of normality back to the country's troubled Eastern

Less than three years ago, the province's two main cities of Trincomalee and Batticalore were in rebel hands and large tracts of the mixed Tamil. Moslem and Singhalese province were no-go areas to the army and the civil authorities. Today, most of the province is under government control, at least during the day, and many Tamil Tiger guerrillas based in the area appear to have fled north to the Jaffna peninsula. The government is planning to hold local elections in the

Eastern province in February

and, later in the year, a refer-

WHEN Colombo put down in

bloody fashion a Singhalese

fighting a guerrilla war but it

A young soldier guards the Pelaly perimeter, just eight miles from Jaffna City

morn than SLRs20bn - about 15 endum on whether to merce with the country's northern province. If local elections are

released for duty in Jaffna. President Wijetunga, who is also Sri Lanka's finance minister, is intent on trying to catapult his country into the ranks of the newly industrialised nations by the beginning of the next century, and is only too well aware of the heavy economic toll the war is taking on a country where many still live below the poverty line.

To finance soaring war costs the government has recently been forced to impose a special defence levy of 3 per cent on all transactions, operating in a manner similar to value added tax. This year, direct military

specessful, tens of thousands

of Sri Lankan troops could be

per cent of the budget - but at least the same amount again is spent on feeding and rehabili-tating the war-torn civilian population in the north and

Thousands of foreign inves-tors have been frightened away by the fighting and many believe the number of tourist arrivals could climb to more than 1m within a few years if the war was ended. The economy of Jaffna, once the biggest supplier of fish and cash crops in Sri Lanka, is at a standstill and tourists no longer visit the

President Wijetunga appears to be willing to stake all on the attempt to recapture the Jaffna peninsula guerrilla stronghold by force in an attempt to bring war to a swift omelusion

The battle for hearts and minds

Humanitarian effort to feed civilians

The food is distributed free

to about 240,000 people who

have been displaced from their

Jaffna homes. The rest is sold

in shops to civilians and guer-

rillas alike, under the watchful

gaze of highly-efficient Tamil

Tiger tax collectors.

Mr Christie Silva, in charge

of the programme at the Minis

try of Reconstruction and

Rehabilitation says: "It's true

we do not want hundreds of

thousands of civilians flesing

A brief glance at the map would seem to suggest that the army is in an excellent posi-tion to launch an offensive. It has a series of army-controlled zones ringing the peninsula at Palaly in the north it controls Jaffna city's airport in a zone 20km wide and 5km deep; across a sunken bridge to the west of the city it controls a number of sizeable islands, and to the south-east it has cut off the peninsula from the Sri Lankan mainland by linking its Elephant Pass army base to

But the war in the north is a classic guerrilla action, fought by the most tenacious and fanatical of men and women as the recent battle of Kilaly showed. On the second day of the army advance from its base at Elephant pass, a carefully

dug-in group of 1,000 guerrillas took the Sri Lankan forces by surprise and in bitter hand-to-hand fighting killed

118 soldiers. Hardcore guerrillas, led by a daring military strategist, may number little more than 5,000 throughout Sri Lanka, but they were able to defeat 120,000 Indian troops in the late 1880s. Every combatant carries a cyanide pill around the neck, which they swallow rather than allow themselves to be

taken prisoner alive. There may be fewer guerrillas, and less well-trained, than when they pushed the Indians out and when they controlled much of the Eastern province, but they remain as ruthless and are still able to assassinate politicians and military com-

There is some evidence they may no longer have such fierce support from the Tamil population in Jaffna. Creation of Tamil Eelam (the rebel's free state) is as far away as ever and some locals have dared to speak out against a guerrilla force, whose tax collecting ability at home and abroad, is legendary. But after a decade of indoctrination most ordinary Tamils in Jaffna still fear Sri Lanka's "Singhalese Buddhist

army" more. Even if Tamil civilians did not fight voluntarily they (might be forced into battle on the side of the guerrillas. It is by no means certain that the Sri Lankan armed forces could march into Jaffna city without killing on the way tens of thou-sands of civilians in the densely-populated province.

House-to-house fighting in the city could be even bloodier, and the question no one seems able to answer with confidence is whether the army yet has the numbers, ability and determination to retain control of the peninsula once it has

Richard Cowper T

Small; is beautiful

Sri Lunka the Pearl of the Indian Ocean, though a mere speck on the map of the for foreign investment through the governments open trade policy and export promotion zones providing attractive incentives and concession

Supplementine un efficient transport and mmunications system is the Banking Sector. in the forefront of this area of activity is the Bank of Ceylon, Sri Lanka's oldest indigenous Bank which counts 54

Bankers to the Nation, it also has a slobal presence in the International

Banking scene with a network of over 1500 correspondents world wide and branches in London and Male. This splendid infrastructure is bolstered by its expertise, resources and experience. Bank of Ceylon is eminently geared to serve every need of the foreign investor with



civilians living in the rebel-controlled Jaffua peninsula, Bankers to the Nation where Tamil Tiger guerrillas

have been waging an 11-year struggle for an independent

nationalist uprising in 1989 it soon found itself having to contend with a volley of internain guerrilla-controlled areas have to find their own food," tional condemnation. Its systematic abuse of human rights says Mr Dominic Dufour, head also alienated many of its own people, writes Richard Cowper. Today, Sri Lanka is still

has put greater efforts into winning hearts and minds at home and abroad. The country is now known overseas for its unique humanitarian effort in providing virtually all the food and necessities to more than 500,000 Tamil

of 10,000 tonnes of food each month to Jaffna in a fleet of cargo ships under the supervision of the ICRC. "Normally, civilians trapped

of the International Committee of the Red Cross (ICRC) based in Colombo. "The government has realised that no rebel with a Kalashnikov ever starves. But this

programme is unique. It's the only country in the world where you can officially mail a letter from the capital to a rebel stronghold." The government started the

programme in 1990 and now spends more than \$500m a year, despatching an average

■ Co-operation with India

to see starvation. We have to think of the future: after all, they are our people; they are also Sri Lan-kans."

No one is pretending the gov-ernment is without fault. There are reports of malnutrition in some areas of Jaffins. A ban on diesel shipments, to deny guerrillas fuel for their vehicles, means there is a power blackout for most nights of the month.

The country's 80,000-strong army sometimes oversteps the mark in its bitter struggle to recapture large areas of the north and some patches of the east which are still controlled by the guerrilles.

In a visit this month to the Palaly army-controlled zone, rust north north of Jaffna city, I saw several night-time bursts of 150mm howitzer shells. In an area so densely populated anything less than perfect accuracy is likely to kill or

injure non-combatants. Reports of civilian Tamil deaths by army shelling are not uncommon.

But in the war for hearts and minds, there is some evidence that the government may be winning. A proposal to hold local elections in the country's troubled eastern province is seen as a further step towards normality in an area once. largely controlled by the Tamil

In the north, the growing financial predations of the guerrillas against a hardpressed and besieged civilian population are beginning to take their toll.

Some Tamii civilians appear to have become heartily sick of the war and might even welcome a return to civilian con-But Mr Velunillai Prabhak-

aran, the ruthless Tamil Tiger leader, does not appear to be willing to negotiate a political solution and Colombo therefore sees itself compelled to pursue a military one. All the hard-won gains could

disappear overnight if the army attempts to recapture the Jaffna peninsula, as it is threatening to do. Thousands of Tamil civilians

might be killed and the Tigers would do everything in their power - including using human shields - to ensure that Sri Lanka's image was again tarnished in the eyes of the international community.



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New Delhi has score to settle

OPERATIVES of New Delhi's Kittu. He and a number of secret service Special Investi-gation Team (STT) set up to track down the killers of Mr Rajiv Gandhi, the former Indian prime minister, are now regular visitors to Colombo, writes Mervyn de Silva and

Richard Cowper.
SIT is working closely with Sri Lanka's police and intelli-gence services and its mission is clear: seize or kill Velupillai Prabhakaran founder and commander of the separatist Liberation Tigers of Tamil Eelam (LTTE) and the man they are convinced master-minded the assassination of the Indian

prime minister. Mr Gandhi was killed in May 1991 by a young female Tamil suicide bomber from Sri Lanka at an election rally in the southern Indian city of Madras. The modus operand: was very similar to that used by the LTTE to murder Sri Lanka's President Premadasa at an election rally in Colombo in May this year.

The co-operation between New Delhi and Colombo in this and other security areas is a far cry from the last decade when India operated a policy aimed at destabilising her tiny

southern neighbour.
Today, New Delhi no longer supports and arms Tamil Tiger guerrillas. It fears that it might end up with its own rebel movement in the fractious southern Tamil state of Tamil Nadu and is taking a tough line against LTTE arms smug-

gling. Earlier this year, the Indian navy captured and destroyed a trawler in the Palk Straits, a 20-mile strip of water that separates Tamil Nadu and Sri Lanka's Jaffna peninsula. As well as arms and explosives, on board was Prabhakaran's right-hand man, known as most famous political dynasty.

ers died in the incident in circumstances that have never been fully explained.

The loss of Kittu is said to have been a heavy blow to the rebel leader. Prabhakaran is said to have placed great reli-ance on Kittu as one of the few commanders he could trust. So deep is his fear of New Delhi that he recently placed Mahattya, his deputy, under house arrest in Jaffna as a sus-

pected "Indian agent." All this seems an age from the early 1980s when Rajiv's mother, Mrs Indira Gandhi, ordered RAW - India's equiva lent of the CIA - to arm and train cadres of a tiny Tamil rebel movement in secret Indian camps. The close relationship began to break down when Rajiv - who succeeded his mother as prime minister after she was assassinated by her Sikh bodyguard - signed an Indo-Sri Lankan peace accord in 1987. An Indian peacekeeping force was despatched to Jaffna to force a settlement on the Tamil

India and Mr Gandhi were to pay dearly for this change in policy. With just a few thou-sand guerrillas, Prabhakaran engaged and drove out an Indian army of 120,000 men. At least 7,000 Indian soldlers died and many more were wounded before the pullout came in

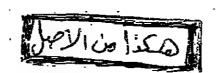
in parts of Tamil Nadu - the traditional Dravidian enemy of the Buddhist Singhalese - the Tamil Tigers are still seen as heroes. But New Delhi has a new foreign policy of regional co-operation and a very deep personal score to settle with the man who brought to a premature end the reign of India's

Many banks are returning to their roots.



Thank goodness there's one bank with its roots in the world.

CREATING THE STANDARD IN BANKING. ABN-AMRO Bank





SKF optimistic despite deeper loss

INSIDE

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The state of the s

1991

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Paris (UAP)

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SKF, the world's leading roller bearing maker, has fallen into a deeper loss for the first nine months but it says a turnound is imminent, it said the UK, Italy and Sweden were picking up and other European markets stabilising. Page 16

RJR Nabisco pays for price war RJR Nabisco, which makes Winston and Camel cigareties, has unveiled a 58 per cent drop in third quarter net income, reflecting the impact of its price wers with Philip Morris. Page 17

JR East opens at 58% premium Shares in East Japan Railway (JR East) source 57.8 per cent above their initial offer price when half the company's shares were floated on the Tokyo stock exchange yesterday. Page 18

Pressing competition

Oriental Press, the most profitable Chinese language publisher in Hong Kong, is about to launch the first new English language newspaper in more than a decade, aiming to compete directly with the profitable South China Morning Post. Page 18

Japanese electronics fall

Matsushita Electric Industrial and Sharp, the Japanese consumer electronics companies, have reported steep fails in first-half profits. Matsushita fell 43 per cent to Y29,71:n (\$280.2m) while Sharp fell 23 per cent to Y20,2bn. Page 19

What's in the bag at Ferranti

A buyer of Ferranti would be acquiring a mixed beg of businesses. The company is a software house and systems integrator, it has a sonar joint venture and sells neval control and command equipment around the world. Andrew Bolger and Daniel Green issess the company in the light of the news that it is in talks with an unnamed bidder. Page 21

Caird makes £17.5m write-down Caird, the weste management company, reported an interim pre-tax loss of \$25.14m (\$37.2m) after an exceptional £17.8m write-down of its assets.

Bottorware shares silo

Shares in Betterware, the home shopping company, fet 10 per cent to 190p in spite of a 21 per cent increase in interim pre-tax profits to 27.6m.

Swedish equities dispel gloom

The second of the second	in the month when 8w
Afficie Nuricieri Inches	den's blue coller trade
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1,400 *****************	country is in a depressi
1.300	and not in a recession,
1,200	and the government he predicted the worst eco
1,100	nomic performence sin
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DOY Marine Marine	this year, shares have t
ئىسىسىسىدا 200	ken through the all-time
1993	high. At yesterday's clo
Source: Ostanzaem :	the Affarsvärlden gener

the year to date of more than 50 per cent. Back Page

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Chief price changes yesterday

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Wednesday October 27 1993 CITTLE FINANCIAL TIMES LIMITED 1993

Sales stabilise but Big Blue's structure still 'uncompetitive', reports Louise Kehoe IBM cost-cutting checks losses

LOSSES at International Business Machines were lower than expected in the third quarter, as revenues stabilised and cost-cut-

ting began to take effect. Nonetheless, Mr Lou Gerstner, chairman and chief executive, said: "The company's cost and expense structure remain uncompetitive. During the third quarter, aggressive internal taskforce work took place to identify additional areas where our costs can be reduced."

IBM could return to profitability "as our gross margins increas-ingly match those of the rest of our industry. I am confident IBM is on the right track," he said. .

Net losses for the quarter were \$48m, or 12 cents per share, bet-ter than analysts' predictions. Earnings were boosted by a \$34m tax benefit. In the same period last year IBM reported a net profit of \$36m, or 15 cents a share, before restructuring charges, but a loss of \$2.8bm, or \$4.87 per share, after them.

The decline in revenues was halted with the company making \$14.7bn, similar to the second quarter. IBM said strong personal computer sales and a slower rate of decline in mainframe computer sales had helped stabilise the figure. "Although our overall results are clearly unsatisfactory, the third quarter included some encouraging signs," Mr. Gerstner

By Hugh Curringy in Stockholm

OPPOSITION mounted in

Sweden yesterday to Volvo's pro-

facturing with Renault of France,

despite a detailed defence of the

United trade union support for

the deal cracked as 900 Volvo

engineers called for the marger to be postponed until after Renault

was privatised. A committee rep-

white-collar workers decided to

use their small shareholding to

vote against the accord at the

November 9 extraordinary gen-

Two influential newspapers

Mr Mats Svegfors, editor of Svenska Dagbladet, the respected

conservative daily, wrote that if

necessary the government should step in to prevent Volvo, the

country's leading manufacturing group, falling under French con-

troi. Dagens Industri, Sweden's

leading financial daily, also said

also voiced their opposition.

plans by the company.

posed merger of its vehicle manu-



said, "Our total revenues held reflected the impact of declining steady year-over-year and our mainframe computer sales on overall gross margin and hard-IBM's business. Service revenues ware gross margin have remained essentially flat for the rose 26.5 per cent to \$2.3bm.

past four quarters." Sales of computer hardware fell just I per cent on last year's third quarter at \$6.96bn. Analysts bad predicted a decline of about 10 per cent. But revenues from rentals and financing fell 14.2 per cent to \$1bn, and software revenues also declined. These trends

Swedish opposition grows

to Volvo/Renault merger

freed from state control.

the merger should be delayed

until 1996, after Renault had been

A spokesman for Volvo

acknowledged that momentum was building against the merger, but said it was not clear that Yolvo shareholders shared this

.. The company circulated a 86-

page document to shareholders saying the merger was a "logical and necessary extension" of a

Volvo and Renault. It said Vol-

vo's 35 per cent share in the merged company would be "an important cornerstone" in a radi-

cally restructured Volvo which

would broaden its interests to

include a 100 per cent share in the cash-rich Branded Consumer

Products, now part of Procordia,

a food and pharmaceutical group

jointly controlled by Voivo and

vo's chairman, insisted Volvo

would retain a "major influence"

Mr Pehr Gyllenhammar, Vol-

the Swedish state.

IBM's third-quarter gross profit margin was 38 per cent, down from 46.1 per cent. "We believe our gross margins will continue to be under pressure," Mr Ger-stner said. The squeeze was felt in both personal computers and services, two high revenue growth segments. Similar trends have taken their

company despite the 65 per cent

weighting in favour of French

interests. He said Mr Lennart Jeanson, head of Volvo curs, and

Mr Rari-Erling Trogen, head of Volvo heavy trucks, would respectively become chief finan-cial officer and head of trucks

and buses in Renault-Volvo on a

five-man management board headed by Mr Louis Schweitzer,

Mr Gyllenhammer said Bensult nor the hi

eign investment in Sweden and

was hardly likely to damage this by running down Volvo's Swed-ish base. Volvo would be contri-

buting to the process of building

Europe. "We have to realise that

Renault chief executive.

and taking."

toll on other US computer manufacturers. Last week Digital Equipment reported beavy losses and Amdahl has warned it expects to report a substantial ioss. Apple Computer, which reported its results earlier this month, also saw gross margins

Mawnett Packard

IBM's operating expenses fell 11.8 per cent as the company con-tinued to shed workers. The staff totalled about 267,000 at the end

fall sharply.

of the red and aiming at NKr1bn By Karen Fossli in Tromso

DnB out

DEN NORSKE Bank, Norway's biggest bank, yesterday returned its best result since it was formed from a merger in 1990 between Den norake Creditbank

and Bergen Bank.
The nine-month net profit of NKr699m (\$100m) compared with a NKr2.46bn loss in the same period last year in the wake of the nation's banking crisis. The group forecast a net profit of at least NKr1bn for the year.

The sharp turnround was due mainly to the one-off effect of a fall in domestic interest rates which helped push up net interest income by NKr593m to NKr4.01bn, partly because of a plunge of NKr2.81bn to NKr7.77bn in interest expenses. Other operating income gains on securities, foreign exchange and other financial instruments — doubled to NKr2.66bn, and operating expenses were cut by NKr241m to NKr3.36bn.

Mr Ole Lund, DuB chairman, said the crisis had passed for the bank but that loan losses and the level of non-performing loans remained unacceptable. Losses on loans and guarantees fell by NET754m to NET2.524hm as the volume of non-performing loans declined by NKr500m to NEP11.Bbb.

In the third quarter, loan losses declined to NKr339m from NKr1.17bm in the second quarter. The bank aims to raise its core capital - through a share issue in the first half of next year from NKr6.3bn, or 4.5 per cent of risk-weighted assets, to 5 per cent and then to 6 per cent.

The board intends to boost the

bank's foreign ownership quota to a maximum 33.3 per cent from 12.5 per cent.

The state has injected an esti-mated NKr1.875bn in fresh share capital into DnB in the past three years and holds a 69 per cent stake. It has also supplied NKr3.5bn in preference capital which could be converted to share capital, bringing its ownership in the bank to more than over 80 per cent. Earlier, the state wrote off an injection of preference capital of NKr1.25bn. Mr Finn Hvistendahl, group managing director, said the cur-rent market valuation of the

time of the phased sell-off to the

bank indicated the government would be able to recover all of the capital provided to DnB, "and possibly more", depending on the bank's share price at the

year, IBM reported net earnings, before charges, of \$1.5bn or \$2.56. After charges, losses were \$1.4bn of the quarter, down 41,000 from Investors angry at Ryan's GPA \$2m

By Roland Rudd in London

MR TONY RYAN's compensation could total \$2m for loss of office from GPA Group, the aircraft leasing company being rescued from bankruptcy by GE Capital,

The proposed pay-off so out-raged some GPA shareholders that they threatened to veto the deal. In response Mr Ryan agreed the payment should go to arbitra-

He is leaving the Shannonbased company he founded in 1975 to become chairman of the GE Capital subsidiary, GE Capital Aviation Services, which will manage GPA's assets.

His contract as chairman and such work requires both giving chief executive of GPA, which runs until the July 1996, provides for an annual salary of not less The Swodish small sharehold ers' association which has led opposition to the merger, dismissed the Volvo leaflet, saying it gave no clearer picture of the valuation of Volvo's assets in the than I£250,000 (\$362,000) Pension contributions and compensation for loss of office are understood to take the total package to \$2m. However, some shareholders, threatened to withhold their sup-

port from the GE agreement unless Mr Ryan's compensation was settled by a third party. GPA, saddled with debts of \$5.8bn, has seen the value of its shares collapse from a high of \$32 to less than \$1.

a year earlier. By the year-end

the company plans to cut back to

Revenue for the first nine

months was \$43.3bn, down 3.7 per cent from \$45bn. Net losses

before restructuring charges

were \$373m, or 70 cents per

share. After charges the loss was

\$8.4bn. In the same period last

55 DOG workers.

The pension fund of the teachers of the state of Pennsylvania the Public School Employees' Retirement system (Psers) -which two years ago subscribed to a preference share with a conlarly incensed. Mr John Lane, Psers' chief

investment officer, yesterday said "it remains to be seen" whether Mr Ryan would get his \$2m.

One banker said: "The question of Mr Ryan's compensation caused a lot of unease among shareholders but his contract clearly stipulates that he is owed \$2m." A GPA spokesman said: "The matter is still being decided hy arbitration."

Mr Ryan's pay-off is no longer threatening the GE deal, which may be signed this week.

in the merged Renault-Volvo Lex, Page 14 **Barry Riley**

On derivatives, conjurors and rocket scientists



rocket scientist lab into the domestic retail market lournalists start to get edgy. in magic, although we do know there are some clever conjurors around.

A few weeks ago I expressed reservations about the promises attached to some of the high income retail savings products being launched in the UK to attract income starved investors. One of them, the Hypo Foreign & Colonial Higher Income Plan, yielding 10 per cent, has attracted about \$400m since

Its success has triggered the arrival of a similarly structured rival from Morgan Grenfell. Briefly, this scheme works by leveraging its income through writing options. Just over half the assets are invested in UK blue chip equities, the rest in loans. On top of the resulting overall 5 per cent yield, the fund can generate 5 or 7 per cent a year by taking in premium from over-the-counter options - puts and calls - against its portfolio. It thus loses much of any capital growth, but buys other options to protect itself against general market falls.

This is an ingenious arrange-ment, but it looks more like a trading operation than an investment portfolio. What are the risks? Even if they are well designed, derivatives trading programmes can fall foul of poor liquidity or counterparty risk. I asked Morgan Grenfell the source of the OTC options, and was told

When derivatives signed a confidentiality agree-come out of the ment. So much for transparency. ment. So much for transparency. In fact there need be no recret. The options are being created by the equity derivatives unit of Swiss Bank Corporation in London; effectively, this bank's wholesale market services are being turned into retail products by Hypo F & C, Morgan Grenfell

An earlier range of retail prod-ucts focused on guarantees of various kinds – for instance, that the FT-SE 100 Index would be at least matched at some date in the future - but falling interest rates design attractive guaranteed products, which have relied on

> The future will always spring more surprises than the past

using income to buy derivatives contracts. At the same time, however, an opportunity to launch high income products has arisen, using derivatives to generate the kind of yield now so sorely missed by savers in depositaking institutions.

innovation may only just be beginning. On the wholesale mar-ket SBC lists 15 varieties of equity option contracts, including as-you-like options, exploding options and deferred strike options. But how reliable is all this? Extensive backtesting investigations are conducted into how products such as the Hypo F that the fund managers had . & C fund would have performed

historically. Apparently it would have sailed through the 1987 crash quite happily. But the future will always spring more surprises than the past. The doomsters are easy enough

to find. The Bundesbank last week reflected gloomily on the possibility of a chain reaction leading to disaster if problems in derivatives were to lead to a col-lapse of liquidity in the cash mar-kets. Earlier in the month Mr Henry Kaufman, the Wall Street analyst, warned about poor stan dards of regulation and unwar-ranted complacency about the real level of risks in derivatives. European central banks, he pointed out, have been generat-ing vast profits for private sector markets through their clumsy mistakes in the foreign exchange markets, especially in 1992, but just suppose it had been the other way around? In practical terms, investors in

innovative retail products are scarcely exposed to apocalyptic risks, merely to the possibility that the income may turn out to be less than expected, or the dan-ger that allegedly "unusual" con-ditions may cause a few points of loss of capital.

The derivative markets are now vast, but are still quite immature. Their complexity invalidates the old adage that you should only put your money in (or report on) investments you understand. Moreover the proprietary nature of the product designs based upon OTC con-tracts means the propositions are becoming increasingly opaque, even to experts.

We just hope that the rocket scientists will not reinvent the



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linking your applications, the best quality information and superior processing

For further information contact your local Reuter office or Area Hondquarters in: London (44 71) 250 1122, na (41 22) 718 2828, Bung Kong (852) 841 5888, New York (1 800) 272 873, Nicosia (357 2) 365087 By Christopher Brown-Humes in Stockholm

SKF, the world's leading roller bearing manufacturer, yesterday announced a deeper loss for the first nine months but it signalled that a turnround was imminent.

Losses after financial items widened to SKr709m (\$88.6m) from SKr361m as weak demand continued to restrain sales growth.

The group's underlying performance improved for the second quarter running. Excluding a SKr110m charge for future staff cuts, the group's deficit was SKr130m in the latest three months compared with SKr167m in the same 1992

By Christopher Brown-Humes

ESSELTE, the Swedish office

products group, saw profits after financial items fall 19 per cent to SKr205m (\$25.6m) in the

first nine months as weak con-

ditions continued to affect

Group sales were up 18 per

cent at SKr8.6bn, but excluding

currency effects, they were

down by 4 per cent from last year. The rise in third-quarter

Michelin injects

manufacturing

MICHELIN, the world's largest

tyre manufacturer, is to inject

FFr2bn (\$357m) of capital into

its French manufacturing divi-

sion before the end of the year.

achieved through a restructur-ing of shareholding arrange-

ments between the group's

financial and French manufac-

turing divisions and will not

involve the raising of capital

The proceeds will be used to

reduce debt at the manufactur-

from outside the group.

The capital increase will be

By John Ridding in Paris

important markets.

NEWS DIGEST

FFr2bn into

back in the black at the operat- SKr610m from SKr247m. ing level in the fourth quarter or in the first quarter of next year. It said Germany was its only market where demand was still falling. The UK, Italy and Sweden were picking up and other European markets stabilising. Conditions in the US and other markets were

improving, it noted. The more optimistic picture has prompted the group to raise its production rate. Sales expanded to SKr21.5bn

from SKr20.0bn in the first nine months. However, after allowing for currency factors and disposal of a unit, they were down 7 per cent. Operating losses fell to

SKr99m from SKr114m, but the weaker krona helped push up

profits to SKr67m from SKr55m

as well as the weak result in

the last quarter of 1992 led the

group to predict a better full-

year result, in spite of poor

demand and restructuring

costs. It expects a 1993 profit of

about SKr300m, which will be

SKr41m higher than last year. The group said the market

had been particularly weak in

Spain, Belgium, Italy, France

and Japan in the first nine

months. However, there was

ing operation which has suf-

fered from a sharp decline in

demand in the European tyre

market. The group as a whole,

which had a first-half net loss

of FFr3.19bn, has net debts of

THAMES Water yesterday kicked off the UK utilities

reporting season with lower-

than-expected interim results,

depressed by a surprise £25m (\$37.75m) mainly due to two

long-standing contractual dis-

putes, writes Peggy Hollinger.

cent decline in pre-tax profits

to £112m for the six months to

September 30 on sales 7 per

cent higher at 2539m, Exclu-

The group reported a 10 per

Thames Water

declines by 10%

At the group's main bearings and seals unit, sales rose to SKr20bn from SKr17bn, but the division recorded a loss after financial income of SKr422m, compared with a SKr119m

The unit's weakest area was the German car sector, where demand continued to fall. SKF is tackling this with cost reductions mainly from iob

Losses at Ovako Steel were reduced to SKr301m from SKr407m, even though sales fell to SKr2.12bn from SKr2.30bn. Demand for the unit's special steel products showed signs of recovery in the third quarter, although prices remained under intense

Norway and Finland, and a

Currency movements had a negative impact on operating

margins because most of the

group's production is in strong

currency countries such as

Germany, France, Belgium and

The group is restructuring

its Pendaflex and Bensons divi-

sions which both fell into the

ding the provision, however,

profits were 10 per cent higher.

561p, but analysts warned

against taking it out of context

with sales of £539m. "The core

business [utilities] is excel-lent," said one analyst.

MR Norman Lamont, former

UK Chancellor of the Exche-

quer and recent arrival on the

board of NM Rothschild, the

UK merchant bank, is joining

the board of the First Philip-

pine Investment Trust, writes

Richard Gourlay. He is joined

as non-executive director by

another ex-finance minister,

Mr Ramon del Rosario of the

Shares were down 13p to

red during the period.

Lamont joins

investment trust

patchy recovery in the US.

gains rose from BFr2.98bn to BFr3.42bn. Capital gains fell from BFr2.05bn to BFr562m. Esselte falls 19% to SKr205m The company, headed by Mr Albert Frère, said full-year consolidated profit - exclu-ding capital gains - should be greater than 1992's BFr6.34bn, some improvement in the UK,

months of 1991.

Sharp drop

at GBL to

BFr4bn in

By Andrew Hill in Brussels

FIRST-HALF net consolidated

profits at Groupe Bruxelles

Lambert, Belgium's second-

largest holding company, dropped by 21 per cent because of lower capital gains.

Net profit was BFr3.99bn

(\$114m) for the six months to

June, against BFr5.03bn in the

equivalent 1992 period, and

BFr6.01bn in the first six

GBL said there was an

increase in income from all its

principal holdings, except for

its 20.5 per cent stake in Petro-

fina, the Belgian oil company.

Consolidated profit before

exceptional items and capital

first half

of which capital gains accounted for BFr1.76bit GBL's 11.2 per cent stake in Tractebel, the Belgian utility company, is still the biggest contributor to profit, bringing in net income of BFr557m (BFr515m) in the first half of

Biggest increases in income came from indirect holdings in Royale Belge, the Belgian insurer, which contributed BFr462m (BFr318m), and CLT, the Luxembourg audiovisual group, which contributed

LFr488m (LFr359m). Petrofina's contribution, however, was almost unchanged at BFr216m against BFr219m.

GBL saw the value of its portiolio increase to BFr90.4bm on June 30, or BFr4,195 per share from BFr74.3bn at the end of last year. Since then the market value

of its holdings has increased a further 10 per cent to BF199.7bn On average, the holding

company said the companies which make up its portfolio -"The competitiveness of the which also include Parfinance, automotive operations will the French financial group, increase. Volvo will gain conand Banque Bruxelles Lam-bert, the Belgian bank - had trol over a large, profitable consumer products operation increased interim profits by 17 with development potential. per cent compared with the a favourable cash flow a moderate investment first half of 1992.

Manifesto appeals for revolution Volvo's 66-page document offers a radical restructuring that goes beyond the proposed merger with Renault, writes Hugh Carnegy

V olvo seems undeterred by the growing clamour in Sweden over the proposed merger of its car and truck operations with France's Renault. Yesterday, the group said it was asking its shareholders to approve revolutionary changes in the shape of the country's biggest and

rroup The 66-page information leaflet circulated to shareholders contained much about the Ren-

most famous manufacturing

However, it also amounted to the clearest exposition to date of Volvo's strategy involving a radical restructuring in which the proposed Renault merger is a vital, but not exclusive ele-

When shareholders gather in Gothenburg on November 9 to vote on the Renault agreement they will also vote to approve Volvo's terms for acquiring 100 per cent control of Branded Consumer Products, the food and drinks operations of Procordia, a conglomerate jointly controlled by Volvo and the Swedish government,

Under a complex deal struck earlier this year with the state, Volvo will become the sole owner of BCP and hold a minimum 25 per cent interest in Pharmacia, Procordia's big pharmaceutical operations, after the Swedish government sells off its Procordia holdines.

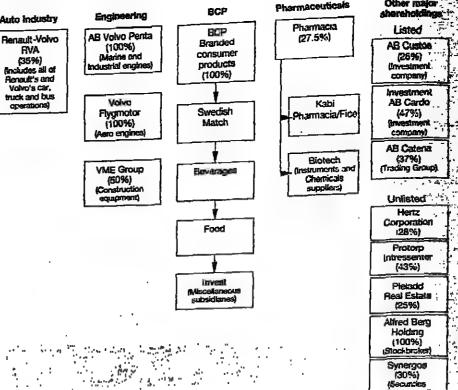
If these transactions go ahead, Volvo's profile will be

Its traditional role as a car, truck and engineering group will become, in effect, an armslength investment and its biggest direct involvement will be in the production of beer and soft drinks, food products and matches.

"A new Volvo group, with considerably improved divi-dend capacity, will be formed," wrote Mr Sören Gyll, the chief executive, in the

with Renault.

Volvo's new structure* Auto Industry



requirement," Mr Gyll wrote. Cash flow and investment costs are two of the important factors behind the restructuring. Volvo says securing a stand-alone future in vehicle production would cost up to SKr8bn (\$1bn) in capital invest-

Meanwhile, Volvo has estimated, on a pro forma basis, that in the first six months of the year the inclusion of BCP would have produced positive cash flow of SKr400m, compared with a negative SKr200m only the Renault merger was

envisaged. However, these arguments have not persuaded those Swedish sceptics who doubt the strategy of Volvo increasing its role in food and pharmaceuticals and who remain unconvinced at least by the terms of the proposed merger

Pro-forma income statements in yesterday's leaflet for the merged Renault-Volvo comshow some short-

term reasons for this. Volvo estimated that in the first six months of 1993, Renault-Volvo would have produced pre-tax profits of FFr320m (\$56.5m) on sales of

produced on sales of a little more than one quarter of the merged company. Volvo quoted a less-than-enthuslastic opinion from Credit Suisse First Boston that the Renault merger was "financially reasonable" from the point of view of Volvo share-

FFr119.2bn, scarcely more than

the SKr380m in profits Volvo

ritics continue to suggest that, in effect, an improving Volvo, which will have a 35 per cent share in the new company, has been undervalued in the merger with Renault, which has suffered a sharp decline in profits. They complained that the information leaflet gave no indication of what values were put on Volvo's and Renault's respective assets when the deal was negotiated.

Mr Pehr Gyllenhammar, the Volvo chairman, wrote only: "It is important to recognise that short-term fluctuations in results have had little impact on agreed values.

The leaflet said Volvo would initially value its 35 per cent holding in the merged company at SKr22.6bn, but it gave no estimate of the present value within the existing Volvo structure of the car and truck operations.

Mr Gyllenhammar insisted the share structure meant. Volvo "should have a major influence on the shaping and destiny of the new company". But he offered nothing new on the other important Swedish concern - the present and future role of the French state in the merged company beyond repeating his faith in the French government's commitment to privatise Renault Lex. Page 14



REPUBLIC NEW YORK CORPORATION SAFRA REPUBLIC HOLDINGS S.A.

Consolidated Statements of Condition and Summaries of Results

These statements and summaries represent the consolidated accounts of Republic New York Corporation and its wholly owned subsidiaries and of Safra Republic Holdings S.A. and its wholly owned subsidiaries. Republic New York Corporation owns 48.9% of Safra Republic Holdings S.A., which is accounted for by the equity method.

	REPUBLIC CORPOR		Safra Republic Holdings S.A.		
		ber 30,	September 30.		
	1993	1992	1993	1992	
Assets	(ii	n thrusands of US	except per share o	lota)	
Cash and due from banks Interest bearing deposits with banks Precious metals Investment securities	\$ 557,003 6,985,934 688,401 13,875,719	\$ 472,915 9,907,773 369,226 11,149,136	\$ 52,123 3,551,035 167 5,650,486	\$ 48,314 3,289,263 2,996 5,074,403	
Trading account securities	1,217,392	653,769 2,655,342	59,930	22,219	
Allowance for possible loan losses	9,031,447 (281,193)	7,952,041 (241,081)	1,183,678 (96,981)	1,249,035 (54,267)	
Colors (net)	8,750,254 5,117,152	7,710,960 3,226,366	1,086,697 335,231	1,194,768 260,076	
Liabilities	\$37,962,045	\$33,381,183	\$10,560,988	\$10,322,608	
Total deposits	\$22,379,887 3,061,561 5,317,255 2,643,263 2,130,635	\$19,032,819 4,638,112 3,052,559 2,524,559 1,881,049	\$ 7,153,245 1,356,775 229,101 650,000	\$6,975,503 1,408,166 217,999 547,600	
Shareholders' Equity Cumulative preferred stock	556,425 719,254 1,153,765	556,425 712,792 982,868	908,896 262,971	908,785 264,555	
Total shareholders' equity	2,429,444	2,252,085	1,171,867	1,173,340	
Total liabilities and shareholders' equity	\$37,962,045	\$33,381,183	\$10,560,988	\$10,322,608	
Book value per share	\$ 35.56	\$ 32.40	\$ 66.19 5,014,627	\$ 66.28 2,931,311	
Net income, for the nine months ended	\$ 221,278 \$ 3.82 52,390	\$ 192,055 \$ 3.28 52,156	\$ 85,029 \$ 4.80 17,701	\$ 68,763 \$ 3.88 17,711	

Risk-Based Capital Ratios

As of September 30, 1993 Republic New York Corporation's risk-based core capital ratio was 15.92% (estimated) and total qualifying capital ratio was 27.45% (estimated.) The ratios include the assets, risk-weighted in accordance with the requirements of the Federal Reserve Board specifically applied to Republic New York Corporation and capital of Safra Republic Holdings S.A. on a fully consolidated basis. Total assets exceed US\$ 40 billion and total capital, including minority interest and subordinated debt, exceeds US\$ 4.0 billion, .

Republic New York Corporation Fifth Avenue at 40th Street New York, New York 10018

Safra Republic Holdings S.A. 32, boulevard Royal

Banking Locations Geneva, Gibraltar, Guernsey, London, Lugano, Luxemboung, Milan, Monte Carlo, Paris, Zutich, Beverly Hills, Cayman Islands, Lix Angeles, Mexico City, Miami, Montreal, Nassau, New York, Buenos Aires, Caracas, Montevideo, Punta del Este, Rio de Janeiro, Santiago, Belrut, Beijing, Hong Kong, Jakarra, Singapore, Taipei, Tokyo

Notice U.S. \$75,000,000 Amer Group Ltd

6¼ per cent. Convertible Subordinated Bonds due 2003

The Bonds were issued by Amer Group Lid (the "Company") in bearsr form ("Bearer Bonds") and in registered form ("Registered Bonds") on June 18, 1993. Registered Bonds have been sold in the United States to qualified institutional buyers in reliance on Rute 144A under the U.S. Securities Act of 1933. Registered Bonds were initially issued in definitive registered form ("Registered Individual Bonds"). On or about a date expected to be October 25, 1993, a registered global note (the "Registered Global Note"), registered in the name of Cede & Co., as nomines for the Depositary Trust Company ("DTC") of New York, will be deposited with The Chase Manhattan Bank, N.A. acting as custodian for DTC. From that date, holders of Registered Notest may hold interests in the Registered Global Note directly through DTC, if they are participants in the DTC system, or indirectly through organisations that are participants. The Company, Chase Manhattan Trustees Limited (the "Trustee") and The Chase Manhattan Bank, N.A. as Principal Paying and Conversion Agent and as Registers and Chase Manhattan Bank Losembourg, S.A. as Paying and Conversion Agent have agreed to certain modifications and untendments to the Trust Deed and the Paying and Conversion Agently Agreement, both dated June 18, 1993 in respect of the Bonds by a supplemental trust deed (the "Supplemental Trust Deed") and a supplemental paying and conversion Agency Agreement", both dated October 22, 1993, so that the Registered Bonds may be accepted for clearance through DTC. Cogies of the Supplemental Trust Deed and the Registera the Inspection of the Bonds, Rearer Bonds may be exchanged for Registered Bonds on the Registered Bonds of the Registe

ase refer to the Registrar or the Principal Paying and Conversion Agent te offices specified below for further details.

TRUSTEE
Chase Manhattan Trustees Limited
Woolgate House, Coleman Street, London EC2P 2HD
PRINCIPAL PAYING AND CONVERSION AGENT
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD PAYING AND CONVERSION AGENT Chase Menhettan Luxembourg, S.A. 6 Rue Plaetis, L-2338, Luxembourg Grund REGISTRAR

The Chase Manhattan Bank, N.A. 4 Chase Metro Tech Centre, 3rd Floor, Brooklyn, N. New York 11245

: The Chase Manhatten Bank, N.A. London, Principal Paying and Conversion Agent

October 27, 1993



THE COPPERATIVE BANK

£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 26th October, 1993 to 26th January, 1994 the following information will apply. Rate of Interest: 5.8125% per annum

2. Interest Amount payable on Interest Payment Date: Per 25,000 nominal or

Interest Payment

Per £50,000 nominal 26th January, 1994

The Co-operative Bank plc

Bank of America International Limited

DOING BUSINESS IN RUSSIA?

Save time, effort and money at the start

All foreign companies wishing to conduct business in Russia need to register there. In Moscow, registration is handled by the Moscow Registration Chamber. Fortunately, this process can be relatively quick and easy, thanks to Financial Izvestia which is now offering the Moscow Registration Chamber's own Guide to Registering Companies in Moscow, Written in English and in collaboration with the international law firm, Salans Hertzfeld & Heilbronn, this invaluable Guide

■ Enables you to select the most suitable legal structure for an enterprise

■ Supplies checklists so you avoid common

mistakes when registering

■ Provides sample registration forms and letters to obtain the relevant authorisations

Lists addresses and contact details of key agencies in Moscow

Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia, as well as legal, financial, accounting and other

The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia to order your copy, see below.

FINANCIAL IZVESTIA

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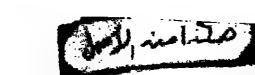
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CARD EXPIRYDATE



RJR Nabisco income falls 58% Carnegy By Karen Zagor in New York

Later of the same

RJR NABISCO, manufacturer of Winston and Camel cigarettes, yesterday unveiled a 58 per cent drop in third-quarter

The sharp decline reflects the impact of price wars with its main rival Philip Morris, but Wall Street was prepared for the downturn and shares held steady at \$5%.

Net income in the quarter was \$76m, including a one-time gain of \$2m on sales which fell 11 per cent to \$3.6bn. A year earlier, RJR earned \$175m. including one-time charges of \$70m, on sales of \$4bn.

RJR's earnings per share tumbled to 4 cents from 13 cents, while operating income

Improvement

textiles group

DOMINION Textile, the

Canadian-based integrated tex-tile group, improved profits in

the first quarter ended

The group is also planning

to expand globally in denim,

interlinings and non-wovens,

its three largest business

Domtex is completing a

US\$150m 10-year note issue which, together with a

US\$200m standby credit, will

bring its debt-equity ratio

down to near its target of

40:60. Later it plans a US

equity issue and a quotation

First-quarter net profit was C\$4.5m (US\$3.4m), or 8 cents a

share, up from C\$3.6m, or 6 cents, on sales of C\$301m,

Industrial fabrics did well

while interlinings declined

slightly. European industrial

non-wovens performed better

and the Klopman workwear

unit posted an 11 per cent

sales gain, although margins

AlliedSignal

By Martin Dickson

advances 24%

ALLIEDSIGNAL, the US highreported a 24 per cent rise in

third-quarter net income,

helped by productivity

or 95 cents, in the same period

The operating margin rose

on a US stock exchange.

compared with C2295m

tightened.

at Canadian

By Robert Gibbers

September 30.

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A Company

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78

or sure

eased 44 per cent to \$431m from \$763m.

company warned it would take significant charges in the fourth quarter to cover cost-cutting and other performance improve-

RJR had warned of a 43 per cent shortfall in operating income from US tobacco operations for the whole of 1993 and the third-quarter results were exactly as most analysis had predicted. Mr Charles Harper, chair-man and chief executive, said

the company's earnings showed the direct impact of lower tobacco prices in the

Stripping out domestic trademarks and goodwill.

tobacco results, RJR's third-quarter operating income from continuing businesses rose 15 per cent

Overall, the group's tobacco husiness posted sales of \$1.8700, down 20 per cent from the \$2.33bn reported in the same period of last year.

Operating income before amortisation of trademarks and goodwill dropped 46 per cent to \$382m from \$712m Internationally, operating income before amortisation of trademarks and goodwill rose 14 per cent on sales which edged 2 per cent higher.
Gains overseas were more than offset by a 64 per cent

plunge in domestic operating

income before amortisation of

US sales fell 29 per cent. The company blamed a less favourable product mix and lower overall volume for the crosion, in addition to discounted The company's food group

saw sales rise 6 per cent to \$1.73on and operating income for continuing businesses before amortisation of trademarks and goodwill advance 10 per cent to \$230m. For the first nine months, RJR earned \$316m, or 23 cents a share, against \$254m, or 20

charges of \$351m in the same period of 1992 Sales eased to \$11.1hm from

cents a year earlier. There were one-time charges of \$110m in the 1993 period and

Strong competition pushes Northern Telecom into loss

WEAK DEMAND and flerce competition in the North American telephone switch market contributed to a thirdquarter loss at Northern Telecom, the Canadian telecommunications equipment maker. The Toronto-based company

continued to predict, however, that it would return to the black in the fourth quarter. Earlier this year Northern announced a reorganisation. including the loss of about

of \$116.2m. or 46 cents a share. a year earlier. Revenues slipped to \$1.88bn from \$2.02bn. Revenues from central-office

switches, cable and transmis-sion products all declined. They were partly offset by "good growth" in multimedia communications systems. Order input for the quarter of \$2.34bn was 3 per cent higher, while orders on hand rose by almost a third to \$4.41bm on September 30.

Northern broke a tradition including the loss of about yesterday by not making its 5,000 jobs. The third-quarter chief executive available to loss of \$33.7m, or 13 cents a comment on the results. How-

press release that the company was encouraged by growth in its international business and by strong revenue gains from its fledgling wireless products. Costs associated with the

restructuring, which were taken in the second quarter, drove the company to a \$884.5m loss in the first nine months of 1993, compared with earnings of \$283.3m last year. The third-quarter results were in line with analysts

expectations, and Northern's share price rose 62 cents on the Toronto stock exchange yesterday to C\$35.50 at midday.

Chevron operating profit up

By Flichard Waters

THE OIL price fall helped boost operating profits at Chevron in the third quarter, as higher margins on refined products more than offset the impact of lower prices on exploration and production

One-off charges of \$145m - mainly related to the rise in the US corporate tax rate - led to a fall in net income to \$420m. or \$1.29 a share, from 467m or \$1.37 a share the year

Before special items, net income in both periods jumped to \$565m from \$410m.

\$69m, while earnings overseas were up from \$19m to \$50m. Lower oil prices accounted for most of the improvement. Mr Ken Derr, chairman and chief operating officer, said the company had cut operating expenses by 14 per cent over the past two years, equivalent

\$251m as higher natural gas prices failed to make up for a \$3.94 fail in the price realised for a barrel of oil. Unocal, the Los Angeles hesed energy group, lifted its

to a saving of \$1 a barrel. US exploration and production income fell to \$125m from

third-quarter earnings to \$70m or 25 cents a share from \$11m income climbed to \$164m, from improved West Coast retining tially offset the drop.

and marketing operations, Reuter reports. Higher domestic natural gas prices, lower worldwide exploration expense and lower inter

est expense contributed to the

improved results. The quarter included a \$14m charge on the effect of the higher federal tax rate on deferred taxes. The 1992 quarter included a \$32m restructuring charge. Third-quarter operating earnings from petroleum exploration and production fell to \$101m from \$121m in 1992, reflecting lower worldwide crude off prices and produc-tion. Higher domestic natural gas prices and production and

US health groups sign supply deal

The company posted net income of \$168m, or \$1.19 a share, compared with \$135m, of last year.
Net sales fell 4 per cent to
\$2.8bn and were fist when foreign exchange movements are Healthcare member hospitals,

to 8.2 per cent from 6.9 per cent, and the return on equity was 27.8 per cent, against 25.5

nestincare group, and American Healthcare Systems have signed a five-year agreement expected to be worth more than \$4bn in Baxter supplies and services for American

previous five years.

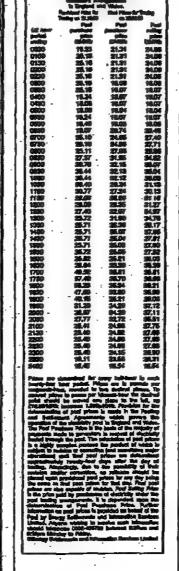
American Healthcare, based in San Diego, California, represents more than 1,000 health-AP-DJ reports.

The agreement renews a fiveand-a-half-year agreement
signed in August 1988 and rep
signed in August 1988 and rep-

entire range of medical and surgical supplies, cardiovascu-lar devices, and diagnostic instruments and reagents.

Baxter provides intravenous fluids and related products under a separate five-year agreement signed in 1991. That is expected to result in purchases of up to \$500m in Baxter intravenous products over the course of the contract.

Royal Caribbean Cruises Ltd. **US\$ 650,000,000** Senior Secured Credit Facilities Managing Agents Christiania Bank og Kreditkasse The Bank of Nova Scotia US\$ 250,000,000 US\$ 385,000,000 Term Loan & Term Loan Revolving Credit Facility NationsBank of Florida, N.A. Hamburgische Landesbank-Girozentrale NationsBank of Florida, N.A. Deutsche Schiffsbank AG Citibank, N.A. Hamburgische Landesbank-Girozentrale The Mitsubishi Bank, Limited Citibank, N.A. Sunbank Mlami N.A. Nedship Norge A.S. ABN AMRO Bank N.V. Schiffshypothekenbank zu Lübeck AG Schiffshypothekenbank zu Lübeck AG US\$ 15,000,000 Federal Maritime Commission Guarantee Scotiabank 3 THE BANK OF NOVA SCOTIA



Paramount unveils new ioint-venture TV network

By Martin Dickson In Hew York

PARAMOUNT Communications, the US entertainment group which is the subject of a bidding war, yesterday announced a joint venture with television group Chris-Craft ledustries to launch a new US broadcast TV network. The network, due to cominto operation at the start of 1995, would initially present four hours of original proning over two nights a week. Paramount yesterday described the venture as a "fifth national network" though its original program-ming would initially fall far short of the existing four -ABC, CBS, NBC and Fox.

The Paramount and Chris-Craft stations which will comprise the core affiliates of the new network reach some 27 per cent of US television

The deal does not impin directly on the takeover battle between Viacom, the cable company making a friendly \$8.5hn bid for Paramount, and QVC Network, which has the same amount.

However, Vlacous yesterday welcomed the Chris-Craft deal which it described as "on more example of the limitless potential that makes the future for Paramount-Viacous so exciting."

The new network, would be jointly owned and operated by Paramount and Chris-Craft, which holds 70 per cent of BHC Communications, owner of a group of eight TV

Paramount's television group is a leading producer of programmes for the existing television networks and for first-run syndication. It also owns seven television stations. The actwork's four hours of original programming would feature the introduction of "Star Treic Voyager", an hour-long series developing the "Star Trek" series owned by Paramount. It would acquire additional original programmes from Paramount and other producers, but has yet to decide on news programming.

Price rises help reinforce recovery at US Steel By Richard Watern in New York Raw steel production rose by

THE SUCCESS of US steel makers in pushing through price rises this year, together with stronger damand for their products, helped reinforce the recovery at US Steel, the country's largest producer, in the third quarter.

The company reported net income of \$36m, or 44 cents a share, compared with a loss of 28m, or 48 cents, a year ago. Steel helped parent company USX report after-tax profits for the period of \$66m, compared with a \$4m loss in the same

Continuing turnround at US period in 1992.

8 per cent to 2.8m tons. At this level, US Steel said it was operating at 95 per cent of capacity. compared with 88 per cent a With higher prices, sales

rose by 12 per cent year-on-year to \$1.4bn. The figures were flattered by the change in the US corporate tax rate, which led to a one-off addition to income of

This was largely offset by a further \$14m charge for interest expense relating to a litiga-tion judgment made earlier year and against which the company is appeal-

USX also benefited from a 25 per cent rise in net income at Marathon Group, its oil subsidiary, to \$30m or 10 cents a share. The figures were held back by one-off charges, in part to reflect the lower market values of the company's inven-

Lower oil prices and higher margins in refining led to a sharp increase in operating income in the company's downstream operations from \$24m to \$146m.

Exploration and production activities recorded an operating loss of \$9m, compared with a profit of \$43m as a result of \$4 fall in oil prices over the

Missile merger plan on target

Evans said that "we have

agreed on the structure of the

business and the range of prod-

ucts" of the planned joint

The aim is for Matra, the

defence wing of Matra-Hachette, the missiles-to-magazines group, to merge with BAe's missile division, in

By David Buchen in Peris med Combi Green

MATRA, the French defence company, yesterday confirmed the claim by Mr Dick Evans, chief executive of British Aerospace (BAe), that the two companies were on target to merge their missile businesses

by the end of this year.

BAe also confirmed the report, saying that talks between the two companies had made "significant progress" and that a deal by the end of the year was possible. in an interview published yesterday in Les Echos, the

i joint venture. Voting rights would be split 50-50, but the ratio of share capital and management control would reflect a valuation

This should be completed by the end of this year, Mr Evans said yesterday. The valuation involves the French economic daily, Mr

two companies revealing the state of their respective order honks to each other

Mr Evans added that the eventual aim of the merger was to create "a big European missile group", with other companies like the UK's GEC-Marconi possibly joining in

ble to have two founder compa-nies, BAe and Matra, he said. Talks by Matra and BAe on merging their missile activities started before Thomson, the rival French defence electronics group, linked with Shorts, the Belfast-based aerospace

P&G posts earnings of \$670m

By Martin Dickson

PROCTER & Gamble, the US consumer products company, yesterday reported a 10 per cent increase in first-quarter net earnings, with volume growth and cost cutting outweighing lower prices and unfavourable exchange rate

movements. The group reported net earnings of \$670m, or \$5 cents a share, on net sales of \$7.56bn, compared with earnings of \$610m, or 86 cents, on sales of \$7.88bn in the same period of last year, excluding special

1992 items. The figures were broadly in line with Wall Street expectations.

Mr Edwin Artzt, chairman, said that "despite challenging market conditions in many parts of the world, the quarter produced broadly-based volume growth by sector and geography, with good balance between established and new "Efforts to improve value for

consumers are receiving good response, and several new brand initiatives have been productive."

impact of lower pricing, and lower interest costs. Unit volume was up 6 per cent, excluding the company's discontinued juice and pulp

factors contributing to the rise

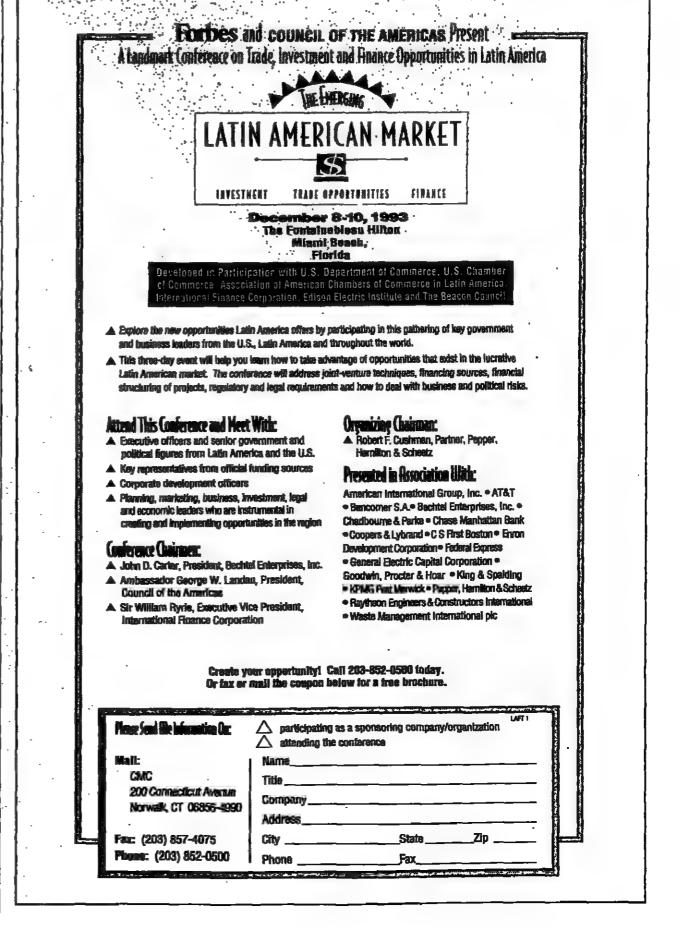
in earnings were strong unit volume growth in the US and

international markets, lower

costs that more than offset the

operations. On a constant exchange rate basis, net earnings would have

been up 17 per cent on a year ago. Excluding exchange rate changes and divestitures, sales revenues would have been up 5 The company said important per cent.



This announcement appears as a matter of record only.



Unitas Ltd

Rights Issue of

89,370,133 A-Shares 16,800,000 B-Shares 9,642,036 C-Shares

Subscription Price: FIM 10

Issue Manager: Union Bank of Finland Ltd Adviser: Mandatum & Co Oy

Directed Share Issue of

30,000,000 A-Shares

Issue Price: FIM 15.70

Issue Manager: Union Bank of Finland Ltd Adviser: Mandatum & Co Oy

International Offering of

11,676,350 A-Shares on behalf of certain shareholders

Offer Price: FIM 15.35

Lazard Brothers & Co., Limited

Cazenove & Co.

Kleinwort Benson Limited

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October 1993

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BANK OF BEIRUT & THE ARAB COUNTRIES SAI. BANQUE AUDI SAL

BANQUE DU LIBAN ET D'OUTRE MER SAL BYBLOS BANK SAL

FRANSABANK SAL

U.S. \$45,000,000

Credit Lines For private sector projects in Lebanon

International Finance Corporation (A Member of the World Bank Group)

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Provided by

International Finance Corporation

U.S. \$15,000,000

Provided through participations in the IIIC loans by

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Banque Paribas

Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V.

July 1993

ANZBank

Australia and New Zealand **Banking Group Limited** Australian Company Number 005 357 522 (Incorporated with limited liability in the State of Victoria, Australia)

U.S. \$250,000,000

Subordinated Floating Rate Notes due 2000 of which U.S. \$140,000,000 is being issued as the Initial Tranche and U.S. \$70,000,000 is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 26th Ocrober, 1993 to 20th April. 1994 the Notes will carry a Rate of Interest of 3.875 per cent. per annum with an Amount of Interest of U.S. \$1,959.03 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 26th April, 1994.

Bankers Trust Company, London

Agent Bank

(Jersey) Limited U.S. \$40,000,000 Ploating Rate Guarante Notes due 1996 r the Interest Period 26th tober, 1993 to 26th April,

U.T.G.B. International

1994 the Notes will carry a Rate of Interest of 4.875% per nnum, the Coupon Amount wyable per U.S. \$5,000 Note will be U.S. \$123.23, and for the U.S. \$100,000 Note will be U.S. \$2,464.58, payable on 26th April, 1994.

Bunkers Trust Company, Loudon Agent Seal

SARAKREEK PARTICIPATIONS N.V. ESTABLISHED IN CURAÇÃO NETHERLANDS ANTILLES

NOTICE of the Annual General Meeting of Shareholders to be held on November 22, 1993.

Notice is hereby given that the Annual General Meeting of Shareholders of SARAKREEK PARTICIPATIONS N.V. shall be held on November 22, 1993 at 3.00 o'clock p.m. local time at the offices of the company at Pietermaai 15, Curação (N.A.) to approve the report of the Managing Director, the annual accounts of the company for the financial year ended on May 31, 1993 and to discharge the Management in conformity with the company's articles of incorporation.

The official agenda of the meeting may be inspected by all shareholders at the offices of the company and is available upon request.

Arriro Trust Corporation N.V.

Dated: October 27, 1993

USD 100,000,000 KANSALLIS -OSAKE - PANKKI Subordinated Floating Rate Notes due July 1997 Interest Rate 3.625% p.a. Immest Period October 26,1993 Jeruszy 26, 1994

Interest Amount due on January 26, 1994 per USD 10,000 USD 92,64 USD 250,000 USD 2,315.97

. . SANOUS GENERALS DU LEMENSOUS Agent Book

INTERNATIONAL COMPANIES AND FINANCE

graph and Telephone in 1986. It is a crucial test of the mar-

ket's strength ahead of flota-

tions for other government-

held companies, including

Japan Tobacco and the remain-

Brokers hope that the success of JR East will help

restore confidence among

retail investors, who have been

discouraged by last year's

sharp drop in the price of NTT

Traders said that the rush of

buy orders clogged the Tokyo

ing six regional railways.

Battle is joined for HK's dailies

UST weeks after million-aire Mr Robert Kuok paid 3349m to Mr Rupert Murdoch for control of the South China Morning Post (the Post), Hong Kong's leading English language newspaper, its effective monopoly is to be challenged. Oriental Press, the most profitable Chinese language publisher in Hong Kong, is to launch a new English lan-guage newspaper, the first in

launch a newspaper by the end of December, but would not

Simon Davies reports on a new

daily paper in Hong Kong, planning to challenge the South China **Morning Post**

proceed unless it was confident it could break even within "a few months". It has already poached a significant number of journalists from the Post and appointed an editor.

The launch is linked to the Post's change of ownership, which was seen as a political move. Mr Kuok is a major investor in China and an appointed adviser to Beijing on Hong Kong affairs; few believed he would not change the editorial policy.

By comparison, Oriental Press Group's main newspaper. the Oriental Daily, is firmly pro-Hong Kong's governor, Chris Patten. Its move has been encouraged by some gov-ernment officials as a means of encouraging a free press in

Hong Kong.
The group's image as a saviour of free speech is somewhat tainted, however, by the fact that its founder, Ma Sik-chun and his brother "White Pow-der" Ma Sik-yu, fled the colony for Taiwan in 1977 and 1978, to escape heroin trafficking charges. The Ma family owns 70 per cent of Oriental Press.

Competition is seen as positive for readers, advertisers and the freedom of the Hong Kong press, but it could be RA TOE D

both companies.
Stakes are high. South China Morning Post (Holdings) made net profit of HK\$494m (US\$63.9m) in the year to June 1993, almost exclusively from the Post. The daily paper has a readership of only 238,000, but advertising rates reflect the spending power of its top-flight

Oriental Press Group made HK\$420m in the year to March 1993, and boasts 1.63m readers - one-third of the entire Hong Kong newspaper market.
Despite supporting Mr Patten's democratic reform programme, the paper is generally more interested in gossip on the local film industry's choice. local film industry's starlets.

ost likely victim of the battle is the paper", the Hong Kong Standard. It has failed to break the Post's arm-lock on advertising - despite under-cutting prices - and it seems unlikely the small market for English lan-

guage newspapers can bear three products. However, it is the Post's eadership and advertisers that Oriental is targeting. The Post iefections and the new man-

has promised a round of pay rises to counter further staff agement is keen to counter suggestions that a change of tack towards Beijing may antagonise existing readers. Mr Kuok said that the editorial policy would not change and the Post would remain "a Hong Kong newspaper dedicated to Hong Kong's best interests".

Oriental Press would not reveal how expensive its gam-ble will be. It has the spare printing and office capacity to operate another newspaper at little extra cost. It also has a net cash position of around HK\$500m, more than enough to fund the salaries and the enormous launch campaign.

But they are facing a formidable adversary. In the mid-1970s there were four English language newspapers, but they did little to damage the Post's earnings stream. It has emerged as one of the world's most profitable newspapers.

Mr Kuok can afford to be relatively sanguine. His enormous influence in the local business community will ensure continued patronage for his new project, whatever the support for the new competi-

In addition, after 1997 he could expect to be recompensed by the government for any adverse favouritism shown in Hong Kong's dying days as a British colony.

JR East stock soars 57.8% on debut

By Emiko Terazono In Tokyo

SHARES in East Japan Railway (JR East) soared 57.8 per cant above their initial offer price when half the company's shares were floated on the Tokyo stock exchange yesterday.
The stock was finally traded

at Y600,000 (\$6,535) a share, after remaining bid-only all day.
The listing of JR East is the biggest offering of a semiprivatised company since the \$160bm float of Nippon Tele-

in New York

America.

new plants.

more than a decade. Mr Herman Hui, executive director of Oriental Press, said the group would be able to

report third-quarter figures tomorrow, said the charge resulted mainly from greater productivity gains than had been expected when it first GENERAL Motors is to take a \$950m pre-tax charge against third-quarter earnings to cover made a provision for the plant additional costs from its pro-

gramme to close 21 redundant manufacturing plants in North The news came shortly after GM reached a new three-year labour agreement with the United Auto Workers union which will sharply push up the company's pension costs, while continues paying its workers even after they have been laid allowing it more freedom to relocate laid-off workers to

The company, which is to

General Motors to take \$950m charge cash healthcare expenses.

> closing programme. This meant fewer jobs would be available within the group for workers from plants that GM was closing, which in turn would push up its job security costs. Under a long-standing job security programme, GM

that even with the charge it believed it could attain its 1993

financial goal for its North uncertainty about the company automotive my's ability to achieve mean-American automotive operations - to break even before interest, taxes and non-

orders. Two million of the 4m

JR East shares held by state-

owned Japan National Railway

Settlement were listed

yesterday.
TSE officials said that JNR

Settlement had to inject more

than 500,000 of its remaining

shares into the market to deal

with the lack of sellers amid a

Mr Masatake Matsuda, presi-

dent of JR East, rejected sug-

gestions that the initial traded

He said that he believed the

market price had been

torrent of buyers.

price was too high.

disrupting the processing of formed in a fair manner, per cent to 20,023.60.

Standard & Poor's, the credit information agency, said it had revised its rating outlook for GM to negative from stable because of the new labour it said the reported provi-

sions of the agreement would not bolster the company's cost-cutting efforts in North America, as had been anticipated. GM's market share performance had been disappointing in recent quarters, S&P said.

These factors heightened

per cent, to \$375m. The number of cards in force continued to

fall, to 34.2m from 35.1m a year

before, though the amount of

business billed to cardholders

during the period, at \$30.8bn,

Gross revenues (net of inter-

est costs) at Lehman Brothers

rose by a third, to \$885m, as

income from principal trading

Investment banking reve-

mass advanced by 34 per cent to \$188m, while commissions grew by a fifth to \$126m.

to show improvements in oper-

ating performance. Net income

at IDS, the investment manage-

ment and advisory arm, rose to

\$96m from \$90m on higher fee

income, while after-tax profits

at American Express Bank

climbed to \$27m from a loss of

clothing and shoes group, will

incur a one-time charge, net of

tax, of \$12.2m, or 45 cents per

share, for its fourth quarter

ending January 31, as part of

its plan to redeem senior debt.

\$30m the year before.

Other businesses continued

jumped sharply to \$421m.

was up 4 per cent.

search for a strategic parties for its locomotive group. It said that it could not find potential partners able to offer the kind of investment needed to enhance the unit, Reuter adds,

Dai-Ichi

ingful profits in North Amer

ica, it added.

• GM has ended a 28-month

based on proper information at Mr Matsuda said that 18

East would maintain an

However, he raised the possi-

bility of a dividend increase

adding that he would need to

compare the company's payout

ratio and dividend rate with those of other listed compa-

in spite of the popularity of

JR East, the overall Tokyo

stock market declined as inves-

tors sold shares to raise funds

in order to buy the JR issue, and the Nikkei index fell Li

annual dividend of Y5,000.

The locomotive group, which includes the electro-motive and diesel divisions, is based in Ontario, Canada, and manufactures locomotives and defence-

related products. GM first announced that it was looking for a partner for the unit in June 1991.

Amexco recovery continues

share, compared with a loss of \$204.7m (after a one-off

restructuring charge of \$492m)

a year ago. The figures were lifted by a

net benefit of \$23m from the rise in the US corporation tax

rate, which led to a one-off

adjustment to deferred taxes. It

said this benefit was offset by

costs from the early repayment

Net income in travel-related

services rose to \$236m, from

\$234m the previous quarter and a loss of \$187m the year

Gross revenues fell 2 per cent over the year to \$2.160n.

due to a fall in the discounts

charged to merchants for

accepting American Express

cards and a decline in card

of some debt.

By Richard Waters in New York

TURNROUND at American Express engineered by Mr Harvey Golub, chair-man, continued in the third quarter as the financial services group's core travelrelated services business maintained the earnings momentum

of the previous three months. The group also benefited from Wall Street's strong performance. Its Lehman Brothers investment banking unit recorded a rise in net income, to \$114m from \$95m the previous quarter, driven by a 77 per cent increase in its income from making markets and other principal transactions.

Net income at American Express for the three months to the end of September to the end of September However, provisions for reached \$430m, or 83 cents a credit losses fell by nearly 30

US-Japanese Ovens closure costs diesel engine deal revealed

By Andrew Baxter

CUMMINS ENGINE of the US and Komatsa, the biggest Japanese construction equipment group, yesterday announced details of their collaboration plans in diesel engines. The leal was originally revealed in

The companies will be forming two joint ventures, one of which will be named Komatsu Cummins Engine and located at Komatsu's Oyama plant in Japan. It will produce Curamins' small Beeries, used by Komatsu in construction equipment and sold by Cammins in Japan and Asia. This will allow the US company to increase its presence in the growing Asia-Pacific region.

The second venture, Cummins Komatsu Engine, will be sited in Cummins' plant at Seymour, Indiana, and produce Komatsu's large 30-litre engines for Cummins to sell

Production at both ventures will begin by 1996, with annual output expected to reach 40,000 engines at Oyama and 2,000 engines at Seymour

by the end of the decade.

The link-up between the two companies is one of the most important in the world diesel engine industry. It allows both companies to extend their product ranges and cut costs by sharing R&D and eliminating areas of duplication.

Inland Steel \$20m • Phillips-Van Heusen, the US

INLAND Steel of the US is to take a pre-tax charge of about \$20m in the fourth quarter due to the closure of four coking batteries at the No 2 Coke Plant at the Indiana Harbour Works, Reuter reports.

The batteries' coke ovens, used to bake coal into fuel for ironmaking blast furnaces, will be shut in December, About 461 hourly workers and 38 salaried employees will lose their jobs, and the company said they would be eligible for support services, certain benefits

and retirement options.

The four batteries are Inland's only remaining coking facilities. All the coke battery shutdowns are due to the same combinations of circumstances, including the inability to meet existing and future environmental regulations and the decline of the oven perfor-

The group said it planned to issue \$100m of debentures, due 2023, and use the proceeds to redeem the company's outstanding 11.2 per cent Senior Note, due 2002. The note was issued to the Prudential Insurance Company of America.

Regter reports.

With cash from working capital, the proceeds will also go towards redeeming outstanding 9.93 per cent Senior notes due 1997, issued to Teachers insurance and Annuity Association of America, the company

Goldman, Sachs and Company and BT Securities Corporation will be the underwriters.

Computer groups link

NATIONAL Semiconductor of the US has entered a technical and marketing partnership with Novell, the US software

group, Reuter reports.
National, a leading computer chip maker, said that it was going into the end-user networking market with a set of products which had just been launched, Earlier, Microsoft and Cisco

Systems of the US announced a similar alliance to expand networking options for end-

Mr Ray Noorda, Novell's chief executive, said that Nov-ell and National would provide customers with network solutions that set new standards for technical innovation, compatibility, ease of use, and

US bank advances to \$48.5m

MARINE Midland Banks, the US bank which is an indirectly-held, wholly-owned subsidlary of London-based HSBC Holdings, yesterday reported an increase in net income in the third quarter, agencies

Income for the period advanced to US\$48.5m and to \$127.8m for the year to date. This compares with net income of \$29.9m and \$73.5m for the corresponding periods

m 1992 The bank lifted net interest income to \$189,2m for the quarter, from \$173.7m last time, mainly because of favourable margins and increased credit card assets.

Other operating income for the quarter declined to \$50.5m, compared with \$82m for the same period in 1992.

ina uccine is mimarit attributable to a one-time gain from the sale of mortgagebacked securities in the third quarter of 1992, and decreasing amounts of fee income from securitised credit cerd assets and mortgage servicing," the bank said.

Marine's tier one riskweighted asset ratio increased to 9.85 per cent for the third quarter, compared with 9.29 per cent for the third quarter of 1992.

The bank's total risk-based capital ratio was 16.76 per cent in the third quarter, compared with 17.09 per cent for the third quarter of 1992.

To the Holders of BankAmerica Corporation

NOTICE OF INTEREST RATE

Subordinated Capital Moteo Doe 1999 GUSTP 066650 BOS

Pursuant to the provision of the Notes issued under the Indenture of BankAmerica Corporation dated as of June 15, 1984 as amended by the Second Supplemental Indenture dated as of September 30, 1987, the rate for the period from October 26, 1993 up to and including January 25, 1994 is 4.625%. The amount of interest payable on January 26, 1994 is 4.625%. The amount of interest payable on January 27, 1994 is 4.625%. The interest payable on January 26, 1994 is U.S. \$1,181.94 for each \$100,000 amount of the Notes.

Chemical Bank, as Calculation Agent October 22, 1993

CONTRACTS & TENDERS

ALBANIA MINISTRY OF FINANCE AND ECONOMY

CASH REGISTERS INVITATION FOR BIDS The Ministry of Finance and Economy has received a fund from the Albanian Government and the Cabinet of the Minister of Finance and Economy invites now sealed blds from eligible biddens for supplying Cash.

The total scope of the supply will be 15,000 units, to be delivered in several instalments, the first of which will be 4,000 units. Cost of bidding documents: USD 200- Bid submission deadline and public bid opening date: 21:271993, 12:00 Midday.

Bidding documents are now available at the Cubinet of the Ministry of Finance and Sconomy, and can be obtained from the same on submission of a written application and upon payment of the mentioned not refundable fee in cash at the same Cabinet or has account No. 101/030 maintained by the Ministry of Finance and Scotters at the Ministry of Ministry of Finance and Scotters at the Ministry of Ministry and Scotters and the Ministry of Ministry of Finance and Scotters at the Ministry of Ministry at the Ministry of Ministry and Ministry at the Ministry of Ministry at the Ministry at the Ministry of Ministry at the Ministry at th maintained by the Ministry of Finance and Sectiony at the Nat Commercial Bank of Albania, Tirana, Albania. Further information can be obtained from:

THE CABINET OF THE MINISTER MINISTRY OF FINANCE AND ECONOMY CHIEF OF CABINET

Fac: +355 42 43422

OBITUARY



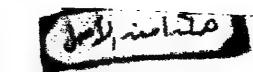
it is with deepest regret that the directors and staff of Tradition (UK) Ltd announce the death of John Rippon who passed away on 4th October. John was Managing Director of the company and will be sorely missed by all those who worked with him. He was a popular and well respected member of the financial community, known in both the banking and money broking fratemities. Our deepest sympathies are extended to John's wife Hilary, their daughter Louisa and their families at this most difficult time and a memorial service in the City will be held as a mark of respect.

PERSONAL

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Karl Loyaton on 071 573 4780 or Paic 071 873 306



down sharply at midterm

against major currencies including the US dollar,

D-Mark and Asian currencies

resulted in a first-half loss of

per cent while exports suffered

a 5 per cent decline. Of Matsus-hita's separate product catego-ries, sales of video equipment fell 11 per cent and audio prod-

ucts 6 per cent. Home appli-ances, including air condition-

ers, registered the largest fall

among product groups of 17

rice cookers which use induc-

tion heating and combined TV/

for growing second-half demand for its thin TVs and

wide-screen TVs, is forecasting

Matsushita, which is looking

VCR units were buoyant.

On the other hand, sales of

Domestic sales were down 7

"restrictive trade practices".

It claims the acquisition would create a group with nearly 80 per cent of the national market in toilet soaps

and 90 per cent in detergent. This would distort competition

with "disastrous" results for

consumers and cuts in employ-ment in the industry.

Hindustan Lever says the

union's figures are exagger-

ated, claiming that its market share in scaps and detergents would rise from 25 per cent to 30 per cent after the merger. It

argues that the deal will "bene-

Hindustan Lever bones that

the commission will finish its

deliberations soon, before

December 15, when the Bom-bay High Court is due to con-

sider the merger. Hindustan Lever officials believe that a positive verdict from the

commission will help the

court to deliver a favourable

fit all".

n debr

charge continuing weakness of con-sumer demand, and slow recovfor the poor parent company results. Sales for the half year

summer, which not only depressed demand for air conditioners but also dampened full-year profits of Y63hn, down continuing yen strength. 212 113 100 Mg

100 a 200 S bank advances

:0 \$48.5m STATE VERMEN S MAN WHILE SEE Section of the second A hardenbeer) " The location 1000年日 日本日本 The Control

ALL RUNGE Car fie tar rett. 人名 化氯硫酸 - Company The New Mid-Mid-1.17 to 1.11112 to 71.01) 09025 とうしゅう で始めば電路 And the property of the ali and the second ಎರ್. ೧೯೯೮ ರ ಚಿತ್ರಗಳು 化・1000数多数 A 17 1/4 23/20

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TO SEE

The Scheme Creditors with Singaposess Preferential Debus of the Company.

INTERNATIONAL COMPANIES AND FINANCE Matsushita and Sharp

pre-tax profits for many of the

Matsushita, Pre-tax profits came to Y20.2hn, a decline of

23 per cent on sales of 575.2bn,

down 1.4 per cent from the pre-

The company, which has been building up expertise in liquid crystal displays and

flash memories, saw its exports

rise 1.5 per cent during the

Sharp is forecasting stable

sales for the full year at

Y1,150bn and pre-tax profits of

Y41bm, down 8 per cent. The company does not expect the

Japanese economy to recover

easily due to an expected

from its original forecast, to total Y20bn (\$184m), down 56.8

per cent from the year-ago fig-

Ordinary income for the first

six months is expected to fall 17.2 per cent to Y1,290bn,

instead of Yl 800hn. The bank's

after-tax profits are expected to

fall 44.8 per cent to Y16hn instead of the earlier fore-

For the full year to March,

DKB expects pre-tax profits to plunge 62.1 per cent to Y40bn

on a 15.3 per cent fell in ordi-

nary income to Y2,500bn. After-

tax profits are projected to decline 39.5 per cent to Y32bm.

increase in unemployment and

me reasons that affected

profits at Fanuc consumption overall. Mean-while, the yen's appreciation Y4,350bm, a 4 per cent full from

manufacturing equipment

olidated pre-tax prof-

After-tax profits fell 29.5 per cent to VR 5hm

70 per cent. Factory automation equip-ment declined 11.7 per cent to Y33.9bm. However, exports to Taiwan and South Korea were brisk, pushing Fanue's export ratio above 40 per cent for the

During the second half of the year, the company will focus on sales of plastic injection molding machines, the only item to produce firm

Plant and equipment luvest-ments for the second belf will fall by 50 per cent from the previou year, the company

Fanue expects non-consolidated pre-tax profits to fall 27.3 per cent to Y21.2bn on a 10.1 per cent decline in sales to Y105.7hu.

First-half plunge 28% the previous year. Sharp, meanwhile reported a 22 per cent fall in first half

sourced a public examination of the country's biggest corporate takeover plan in a hearing which is being seen as an important test of the effective-SLACE vales of industrial robots to the motor industry were blamed for a plunge in ball-year profits at Panne, the world's largest machine tool manufacturing confinment

its for the first six months to aber fall 28.2 per cent to Y11.6bo (\$109.4m) on a 9.7 per cent decline in sales to

Sales at the robot division tumbled by 23 per cent to Y14bn. Industrial robots for the auto industry accounted for 50 per cent of total robot sales, down from the previous

first time.

profits.

22 per cent to R100.3m (\$23.9m) in the six months to September, compared with R82.4m a

TORY ASD. With the market growing during this period at an esti-mated 9 per cent, Edgars gained market share with turn-

R1.41bn last time. per cent increase in earnings Selling prices, however, were per share to 195 cents, from 162

Indian inquiry puts reforms to test

employers' organisation.

The trade union is worried

about the potential impact of

the merger on jobs and the

small-scale manufacturers

association is concerned small-

scale producers might be

B oth organisations have filed protests against the merger in the Bombay High Court and the

Monopolies and Restrictive Trade Practices Commission

In its case to the MRTPC, the

trade union concedes that amendments to the anti-mo-

nopolies act have ended blan-

ket restrictions on large groups

carrying out takeovers or making other investments which

would substantially increase

market share. However, the union argues that the proposed

acquisition of Tomco by

Hindustan Lever would

infringe rules still in force on

Mr George Beeton, chief

there was no major deteriora-

ronment, sales and profit growth for the full year should

A divisional breakdown of

earnings shows that Edgars

contributed R86.1m, compared

with R68.6m last time, and

Sales House R22.9m, compared

to Ris.im. Jet made a R3.2m.

match the first half.

squeezed out of the market.

Stefan Wagstyl on the country's biggest corporate takeover plan

sion's first major probe since

its powers were curbed by changes to the Monopolies and

Restrictive Trade Practice

Act. The handling of the case

will be a significant indication

of how reforms are being

Hindustan Lever's takeover

of Tomco was announced in

March and approved in June by shareholders of both compa-

iles but it has still to complete

its passage through legal and official raviews. Under Indian

law, companies wishing to

make acquisitions must regis-ter them in court. Would-be

opponents are given the oppor-

tunity to file protests.

Hindustan Lever's plans

have been opposed by one of its in-house trade unions, the

Maharashtra Girini Kamgar

Union (which represents about 20 per cent of the employees),

and by the Maharashtra Small-

Scale Soap Manufacturers

Association, a small-scale

deliberately reduced to compensate customers partially for a 40 per cent increase in the rate of value added tax - to 14 per cent from 10 per

As a result, operating profit rose by only 5 per cent to R2042m, from R1944m a year ago. Lower finance charges and a drop in the effective tax rate helped boost attributable earnings.

The divisiend was incressed over growing at 18 per cent to by 18 per cent to 45 cents per

Malbak registers 14% increase

SA apparel group climbs 22% **Fairfax** finalises

By Bruce Jecques

executive, said assuming that tion in the socio-political envi-JOHN FAIRFAX Holdings, the Australian newspaper group, has finalised an A\$850m (US\$569m) debt reftnancing programme which directors said would significantly lower

refinancing

its interest conta A company statement yester-day said the refinancing had been achieved despite legal action by interests associated with Independent Newspapers, the Irish media group headed by Mr Tony O'Reilly, which unsuccessfully bid for Fairfax

The refinancing involves an insecured five-year amortising facility of A\$300m provided by a syndicate led by National Australia Bank and including Toronto Dominion Australia and Société Générale Australia. It also includes a five-year working capital facility of A\$50m provided by National Australia Bank

The facilities replace arrangements with Fairfax's previous lenders.

Dai-Ichi Kangyo cuts forecast

write off the bad loans.

By Emiko Terazono

NEWS DIGEST.

Upjohn sells

Florida unit

pharmaceuticals company, has

signed a letter of intent with

Terra industries for Terra to purchase the assets and busi-

ness of Asgrow Florida, an

Upjohn subsidiary, for undis-

closed terms, Reuter reports Upjohn said the proposed

transaction is for the purchase

of Asgrow Florida only and

UPJOHN,

By Michlyo Nakamoto

MATSUSHITA Electric

Industrial and Sharp, the Japa-

nese consumer electronics companies both report sharp falls in first-half profits.

Matsushita confirmed expec-

tations of a substantial deterio-

ration in its first-half business

by reporting a 43 per cent fall

in pre-tax profits to Y29.7bn

The company blamed the

ery in its other main markets

were 6 per cent down to

Matsushita was particularly

hard hit by an unusually cool

(\$280.2m) from Y52.3bn.

Combined bad loans at 21 DAI-ICHI Kangyo Bank, a leading banks stood at leading Japanese bank, halved its interim pre-tax estimates Y12,770bm at the end of last March, and industry analysts expect the figure for end-Sepyesterday due to higher-thanexpected write-offs for bad tember to have risen to around loans and a fall in income due Y14,000bp. At the same time, revenues

to lower profit margins.
Other banks, which are due
to announce their half-year at the banks have been squeezed by a slump in lend-ing. For the first six months to results at the end of next month, are expected to follow September, the outstanding balance of loans at 11 leading suit, as an increasing number of corporate borrowers are becoming unable to pay back loan interests smid the commercial banks fell by 0.5 per cent to Y222,300bm, its first fall on record. prolonged economic slump. This is forcing the banks to

DKB halved its pre-tax profit for the first half to September does not include the agronomic or vegetable seed portions of Asgrow Seed Company. Asgrow Florida distributes

agricultural materials including chemicals, seeds and speciality products with 12 stores in Florida and one in Georgia

S A Brewing plans to change its name S.A. BREWING Holdings, the Australian bewer, it planned to

rename the company South-

a new logo, Reuter reports from Adelaide.

casted Y24bn.

The company said the proposed new name reflected its origins and its diversification and expansion in Australia and oversees. It began in brewing and hotel ownership but has since become a wine producer and a manufacturer of water heaters, appliances and packaging. It sold its brewing and hotel assets in August.

S.A. Brewing said it would seek shareholder approval for the name change at its annual meeting on November 25.

Nippon Colombia cuts jobs after loss

> NIPPON Colombia, the lossmaking audio and video equipment maker, is to cut jobs by about 10 per cent from the cur-rent 1,960 workforce by March next year, a company spokesman said, Renter reports from Tokyo.

Nippon Colombia also revealed yesterday a parent company first-half loss of Y266m, compared with a Y1.59bn loss a year earlier.

conglomerate in the Gencor group, overcame difficult trad-ing conditions to record a 14 per cent increase in earnings to R374m (\$89.5m) in the year to August, compared with R339m a year ago. Turnover rose by 10 per cent

MALBAK, the industrial

By Philip Greath

Restrictive Trade Practices
Commission yesterday
started a public examination of

ness of the government's eco-

The inquiry concerns propos-als by Hindustan Lever, the

Indian subsidiary of Unilever,

to acquire Tata Oil Mills Com-

pany (Tomco), an affiliate of Tata, India's largest industrial

grouping, and a large producer of scaps and detergents.

Before Mr P.V. Narasimha

Rao, the prime minister, launched the liberalisation pro-

gramme in 1991, the monopo-

lies commission was a power-

ful instrument of the licence

raj – the panoply of economic controls developed in post-in-dependence India. The inquiry

into the Hindustan Lever-

Tomco deal is the commis-

EDGARS, the clothing, footwear and textiles group in

the South African Breweries

stable, overcame a difficult

operating environment to

increase attributable profit by

number reformer.

to Rilbm, and although gross margins were under considerable pressure, cost reductions and productivity improve-ments helped offset these conditions and operating income rose by 7 per cent to

Mr Grant Thomas, chairman. said the results were "very pleasing" seen against the diffcult operating environment. He said the group was fore-

casting a modest increase in earnings for 1994, but said predictions were extremely difficult given the huge changes which lay shead, including South Africa's first multiracial

Reflecting his cautious out-look - Mr Thomas said it was unlikely that there would be any return to "sustained economic growth" in the coming year - the dividend was increased by 4 per cent to 35 cents per share.

Earnings rose by 8 per cent to 122 cents per share from 112

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LEGAL NOTICES

ICS REINSURANCE PRIVATE LIMITED (Incorporated in the Republic of Singapore)

NOTICE OF CREDITORS' MESTINGS

IN THE MATTER OF SECTION 210 OF THE SINGAPORE COMPANIES ACT DY THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES. HO 198942 OF 1985

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NEW ISSUE

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OCTOBER 7, 1993

U.S.\$102,000,000

Guangdong Investment Limited

(incorporated with limited liability under the laws of Hong Kong)

41/2% Convertible Bonds Due 1998

These securities were offered internationally and in the United States

International Offering U.S.\$72,000,000 Principal Amount of Bonds

> CS First Boston Merrill Lynch International Limited

Deutsche Bank AG London Lombard Odier International Underwriters S.A. Peregrine Capital Limited

HG Asia Securities Nomura International **UBS** Limited

S.G. Warburg Securities

United States Offering U.S.\$30,000,000 Principal Amount of Bonds

CS First Boston

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Regulation of OTC derivatives

European sector claws back losses in thin trading

FT FTXED INTEREST INDICES

London and Patrick Harverson in New York

EUROPEAN bond markets clawed back some of Monday's losses but ended narrowly mixed in moderate turnover. Flows were thin as investors continued to digest last week's round of rate cuts, and with little fresh news expected this week, most markets are expected to continue consolidating.

■ UK GILTS ended slightly firmer as participants prepared for today's auction of 6 per cent gilts due 1999, next year's new five-year benchmark.

GOVERNMENT Bonds

Despite its £3.5bn record size, the auction is expected to go smoothly, supported by firm demand from overseas and domestic investors. Expectations of near-term easing have caused short to medium-dated paper to outperform longer maturities in recent weeks and are expected to ensure strong demand for the new paper.

Analysts are calling for a bid-to-cover ratio of around 1.5 to 2 times and a tail - the

three basis points. Late in the day the bonds were quoted at 494 on a when-issued basis

GERMAN governmen bonds began the day on a firmer footing after overnigh buying by Far-Eastern accounts, but early gains were eroded by profit-taking on disappointment over preliminary October inflation data and D-Mark weakness following last week's 1/2-point cut in key German rates.

The December bund contract opened at 100.04, rose as high as 100.24 and closed at 100.13, up 0.05 point on the day.

While some see further downside at the long end of the yield curve, others expect it to remain well supported. "I'm pulling in my bear claws," said Mr Karl Haeling, head of International Futures and Options at Deutsche Bank, who expects the technical uptrend to remain intact. "While we are in a consolidation phase, I feel there are bigger chances for a break to the upside than to the

■ ALTHOUGH the French franc strengthened slightly against the D-Mark, French

accepted yield - of around yielding 6.21 per cent.

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ment of new 5.5 per cent 10year bonds to be auctioned next week. The notional bond futures contract traded on Matif fell 0.14 point to 124.52

SE activity indiges rebased 1874

■ JAPANESE government bonds hit new six-year highs, with the December JGB band futures contract rising 0.11 point from Friday to 113.98. The rally was spurred mainly by investors switching out of stocks into bonds after the Nik-kel stock index fell by 286 points to 20,024 - perilously close to the psychological 20,000 level.

Sentiment was also buoved by expectations that today's 10year government bond auction would go well, despite the expected increase in the issue size to Y1,000bn, from the

■ THREE days of heavy sell-

ing at the long end of the US Treasury market ended yesterday morning when bond prices posted modest gains in the wake of a weak consumer confidence report.

In early afternoon trading, the benchmark 30-year government bond was up & at 1032. yielding 5.985 per cent. At the short end of the market, the two-year note was up & at 991, to yield 3.891 per cent.

Treasury prices opened firmer and held their ground in positive territory, thanks to news of a decline in the Conrence Board's consumer confidence index. The index, which fell from 63.8 in September to 59.4 in October, indicated that consumers remain concerned about the weakness of the economy, and cheered bond investors, who had seen prices plummet and yields soar

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BENCHMARK GOVERNMENT BONDS

Price Glenge

Analysts said that most of the buying was limited to dealers, and that retail accounts were staying on the sidelines until the afternoon auction of a record \$16.5bn in two-year

ECU (French Gorg)

■ CANADIAN government bonds slid sharply in the wake of Canada's national elections but later recovered to trade only slightly lower in midday

The strong performance by the separatist Bloc Quebecois

sent initial shudders through Canada's currency and bond markets, but prices stabilised on remarks by the party's leader Lucien Bouchard that he has no hidden agenda to

disrunt varlisment According to Mr Brian Hilliard, senior economist with Societe Generale Stranss Turnbull, "the key thing is that the Liberal Party has an absolute majority". He also said inves-tors should take comfort from the likelihood that monetary policy will remain unchanged

Congress is still contemplating how OTC derivatives should be regulated. The House banking committee will hold a hearing in Washington tomorrow to discuss the issue, and the CFTC's recommendations. Finding that the "systemic

By Laurie Morse

THE USE of over-the-counter

derivatives is expanding rap-

idly, but the risks associated

with the transactions are

vastly overstated, and there is

no need for fundamental

changes in the way they are

regulated, the US Commodity

Futures Trading Commission

concluded in a report delivered

default and credit risks in

these markets we have con-

cluded there is no cause for

concern," said Ms Shelia Bair,

acting CFTC chairman. "How-

ever, we have identified sev-

eral areas where greater co-operation between regula-

tors would be beneficial, partic-

ularly for sharing informa-

The CFTC is the primary US

regulator of exchange-traded

futures and options, and last

year was given exemptive pow-

ers over off-exchange instru-

ments such as swaps. However,

"After detailed analysis of

to Congress yesterday.

in Chicago

and public policy issues suggested by these products are not confined to any single market or the province of any

satisfies CFTC one regulator", the CFTcreport recommends an interagency council of federal finan. cial regulators be formed to consider common approaches

to OTC derivatives. The agency ducked suggestions that its powers be merged with its larger arch-rival, the Securities and Exchange Commission, saying such a mergawould not address the problems posed by derivatives dealers not governed by either

In the report the CFTC for the first time said that non-regulated subsidiaries of brokerdealers might require a second look by the government, Sereral broker-dealers, including Salomon Brothers, have set up separately capitalised subsidlaries to deal in swaps this year. These affiliates are subject to less regulation than their parent companies or US banks dealing in swaps.

The CFTC study, conducted with the co-operation of the Federal Reserve and the SEC, said a top priority for an interagency regulatory council should be the lack of comprehensive information on the OTC markets.

The absence of standardised disclosure, pricing, and risk valuation was also cited as a concern, as was the fact that end-users of OTC derivatives may need to be better versed in managing risks associated with the instruments.

Strong Asian demand for Sweden's \$1bn FRN offer

By Antonia Sharpe

THE Kingdom of Sweden's \$1bn offering of global floating rate notes (FRNs) dominated a busy day of issuance in the international bond market.

Other Issuers were reported to be closely watching Sweden's three-year issue, the first sovereign global FRN offering, with a view to deciding whether to follow suit.

Joint lead managers Lehman Brothers and J.P. Morgan said a significant portion of Sweden's deal had been placed by the end of the day. Strong demand from Asia

sated for a relatively disappointing response from Europe. The notes were kept in syndicate overnight to allow time to place them in the US. The notes, which were priced

and the Middle East compen-

at the re-offer to yield nine basis points below three-month

London interbank offered rate (Libor), are expected to be freed to trade today.

Asian investors were also strong buyers of the \$500m five-year Europond offering from Urban Mortgage Bank of

INTERNATIONAL BONDS

Sweden, according to lead manager Nomura. UMB is well-known in Japan as a result of its bond issues in the Samural market, the domestic Japanese bond market for for-

eign borrowers.
The bonds were priced to yield 68 basis points over the when-issued US Treasury due 1998 and the spread remained unchanged during official trading hours. However, some traders said the spread widened to 73 basis points in the after-

FYASMA INTERNATIONAL BOND SERVICE

Treasury Corporation of Vic-toria tapped the pent-up demand for high-yielding Canadian dollar paper with its C\$250m offering of 10-year Eurobonds. There has been little new issuance in the Euro-Canadian dollar sector in the run-up to Canada's general

TCV was thought to have swapped the proceeds of the issue into Australian dollars. However, the lack of arbitrage opportunities in the Canadian dollar market might limit further issuance in this sector, syndicate managers said. Volatility in the swaps mar-

ket was also hampering the first Eurobond issue from Trans Tokyo Bay, the Japanese government-guaranteed agency. The issuer is thought to be looking to raise \$200m through an issue of 10year Eurobonds and swap the proceeds into yen. IBJ

is arranging the deal.
Elsewhere, strong international demand enabled Reliance Industries, India's largest private sector company, to

vertible bond issue to \$140m

Reliance achieved a coupon of 3.50 per cent, at the bottom end of the indicated range of 3.50 to 4 per cent, and a converincrease its six-year Euroconsion premium of 12.06 per cent,

from an original \$125m.

range of 8-12 per cent. Lead manager Morgan Stanley said the issue had been oversubscribed 10 times. The bonds were trading at 106% 107% yesterday, well above at the top end of the indicated sue price of par.

NEW INTERNATIONAL BOND ISSUES

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Final learns and non-callable unless stated. The yield spread (over relevant government bond) at teams is supplied by the lead number, in Private placement, \$Convertible, @With equity warrants, \$Floating rate note, at \$2000, \$

Amsterdam SE changes rules

By Ronald van de Krol

THE AMSTERDAM stock exchange is to lower the threshold for newcomers to the bourse as part of plans to abolish the exchange's "parallel market" for smaller, younger companies in early-1994. Starting next year, new

bourse-listed companies on the main market will need to ensure that the total value of shares tradeable on the exchange is at least Fl 10m. This is well below the bourse's existing threshold of

Fl 50m but above the Fl 5m

minimum on the parallel market, a separate market estab- 💣 lished in 1982 for young companies. The parallel market, similar to the UK's Unlisted Securities Market, is to be integrated into the main market next year because it has failed to attract sufficient investors, particularly among institu-

Under rules published yesterday, the exchange said existing companies on the parallel market will be able to move automatically to the main market provided they agree to comply with the bourse's limits on anti-takeover devices.

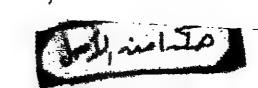
MARKET STATISTICS

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COMPANY NEWS: UK

Andrew Bolger and Daniel Green on the softly, softly approach to a former force in the defence industry

A BUYER of Ferranti International would be acquiring a mixed bag of businesses. Today the company is a software house and systems integrator with a staff of

It has a £200m order book, a pensions surplus of more than £100m, and shareholders funds of roughly 255m. It has large accumulated losses that could be offset against taxation.

Net debt is £85m.

Perhaps its most successful business is the 50:50 joint venture in sonar with French company Thomson-CSF, which has a contract to supply sonar for the UK's Trident nuclear submarine programme.

Ferranti also has an installed base of customers for navai command and control equipment. Customers include the Royal Navy and the navies of Brazil and South Korea.

In systems integration, it has a business that has worked on Saudi Arabia's air defence system and is still awaiting confirmation of a £100m order for a similar system for Bah-

Finally, it has a series of small suppliers of training ser- £1.5bn.

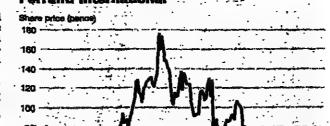
Declining fortunes of Ferranti

vices and components such as Ferranti international fuses for munition. The dismantling of Ferranti was precipitated in 1989 by the discovery of huge fraud in international Signal and Con-trol, the US subsidiary which it

bought in 1987 A secretive defence group, the bulk of ISCs business had traditionally been in supplying bombs and security systems in the Middle East.

Ferranti's merger with ISC in 1987 was halled as a natural marriage, even if its motivation for Ferranti was basically defensive. Both companies were military electronics con-tractors, but seemed to overlap very little. With 59 per cent of the combined group. Ferranti's control of it was

A new group thus came into being with a market value of fibu. It was hailed as a main force in global defence industries, with 26,000 employees in a dozen countries and an order book worth more than



revealed it had been the victim of a cleverly orchestrated fraud. The UK company had paid £420m for a company which it later said had zero net

worth at the time of the pur-

chase and made no not profits

Two years later, Ferranti in the live years before the merger.

Mr James Guerin, ISC's founder, had become deputy chairman of Ferranti. He is now serving a 15-year sentence for financial fraud and illegal

Discovery of the fraud biew a hole in Ferranti's balance sheet which it has since been desperately struggling to repair by selling bits of itself -including parts that were its pride and soul.

GEC picked the prize fruit of the Ferranti empire after the ISC debacle. In 1990, it paid £310m for Ferranti's radar divi-

The business dated back to the Second World War and included the project leadership for the radar to equip the European Fighter Aircraft

Last year, GEC-Marconi bought the company's missile ess for £38m.

KPMG Peat Marwick, the UK's second largest accountancy firm, paid £40m to Ferranti to settle litigation over the acquisition of ISC, a former Peat Marwick audit cli-

However, when Mr Eugene Anderson became chairman of Ferranti in 1990, it became clear that the ISC fraud was only part of Ferranti's problem: the rest of the business was not particularly well-managed either.

For Ferranti, which had been demoralised by government retrenchment, the 1987 merger had been meant to cushion the group against its former depenacy on the UK Ministry of Defence and possible future failure to win important contracts such as the European Fighter Aircraft radar contract and the Type 23 frigate com-mand and control system.

Mr Anderson would not criticise his predecessor, Sir Derek Alun-Jones. Nevertheless, it was clear that he did not think highly of

the group's organisation, the role played by head office, or the supervision of contracts. Earlier this month Mr Anderson warned shareholders that Perranti's first-half losses were likely to be higher than deficit of £10.9m in the corresponding

period last year. He said the company would continue to focus on its priorities of strengthening the balance sheet by equity injection or through strategic partnership while seeking to win new



(below right) as chairman. James Guerin is pictured left

Caird £25m in the red after write-down

By Richard Gourley

CAIRD, the waste management company which has been crippled by a flurry of acquisitions in the late 1980s, yesterday reported a pre-tax loss of £25.1m for the first half of 1993, after exceptional debits of £22.9m including a £17.6m write-down of

The write-down followed a review by Mr David Weir, who replaced Mr Peter Linacre as chief executive earlier this

Caird said a number of the landfill sites bought between 1988 and 1990 were no longer considered "commercially viable or capable of development".

Slower than anticipated disposal of aggregate stocks and non-core assets had

also led to a re-appraisal of market values. In June Caird said it would not make a payment that month of the dividend on its convertible preference shares. The group said yesterday it did not expect to pay a

preference dividend on December 31

Caird's ordinary shares fall 4%p to 7%p and its preference shares from 37p to 28p. Mr Christopher Parker, finance director, said the group would be concentrating further on its core businesses. Caird now defines this as the management of landfill sites capable of taking a wide range of domestic and industrial waste rather than its current portfolio which includes some sites only licensed to take dry

"The fact is we have spent too much on

development of landfill sites in the last few years some of which we are now going to sell," said Mr Parker.

to develop its incineration projects, including Renfrew in Scotland where the company is in dispute with the local authority. Sales on continuing business fell by 13 per cent to 28-8m and the group reported an operating loss of £1.21m (£3.83m profits). Losses per share worked through at

The group will also be reviewing plans

45.55p (1.51p earnings).

As a result of the write-off, shareholders' funds have fallen to about £21m, leaving the company close to 100 per cent geared.
Caird said its strategy had the support of its bankers but that with its advisers it was seeking ways of strengthing its bal-

moce sheet.

Bradford Property at £17.5m

By David Blackwoll

THE SALE of land near Ipswich for a Tesco superstore helped Bradford Property Trust, the UK's largest tenanted residential property company, to lift pre-tax profits by more than 50 per cent, from £11.6m to £17.5m, for the six months to October 5. Yesterday the shares closed

8p ahead at 226p.
The surplus from property rentals increased by almost 21 per cent from 25.3m to 26.4m. Dealing profits rose from 26.2m to £11.4m following the Ipswich land sale. Total operating profit was £17.8m

(£11.5m). Interest payable increased from 2545,000 to 2641,000. The interim dividend, based on the surplus from property rentals after tax and prefer-

ence dividends, rose from 2.4p to 2.9p. Earnings per share were up from 5.43p to 8.11p. The company's business cantres on buying tenanted prop-erties at a discount to reflect the statutory rights of sitting tenants and selling them with

Trinity Intl go ahead

vacant possession.

Trinity International Holdings' acquisition of newspapers published by Argus Newspapers and Joseph Wood-head & Sons has been approved by the Department of Trade and Industry. The purchases will increase Trinity's share of UK regional and

Roxboro to float with £80.5m tag the issue. The proceeds will be A COMMENT

By Paul Taylor

SHARES IN Roxboro, the Newmarket-based manufacturer of specialist electronic components which is coming to market through a placing and offer for sale, were priced at 230p yesterday, valuing the group at £30.5m.

The issue, which is fully underwritten by Samuel Montagu, involves 21.7m ordinary shares of which 14.1m (65 per cent) are expected to be placed with institutions; the balance of 7.61m will be offered to the

The group will raise about £11.9m net of expenses from

used to repay debt and fund expansion. Roxboro has forecast sharply

higher trading and pre-tax profits for the current year. Trading profits after central costs, but before exceptional costs of £500,000, are forecast to more than double to £6.5m in the year to December 31, compared with £3.1m last year and

21.8m in 1991. Earnings are expected to

total 11.5p this year (or 13.3p before exceptional items). The notional dividend for the current year is forecast at 1.9p. Dealings are expected to begin

Since the management buy-out Roxboro's management has refocused Roxboro away from low-margin commodity components. The restructuring is now complete and the benefits should begin to show through next year. Profits will also benefit from the elimination of interest costs and the growth in sales of new products. Based on current year forecasts the shares are priced at a multiple of 17.3 - a substantial discount to others in the sector. This is a solid stock in a growth market at a reasonable

Sunset + Vine shows decline to £505,000

Profits at Sunset + Vine, the independent television production company, declined from £687,000 to £505,000 pre-tex over the 12 months to June 30. Mr Colin Frewin, chairman, said the outcome reflected "the

continuing state of flux in the UK television industry." first six months of the new independent television era, complicated by the new commissioning structure of the ITV network ... together with the weakness of the economy had combined to make growth in the television business a

very difficult task." Turnover fell from £4.51m to £4,13m. Earnings were 8.1p (8.8p). A proposed final dividend of 2p makes a maintained

3.5p total.
Mr Noel Healy has been appointed managing director. He was formerly a director with Financiere Indosuez.

Wholesale fall leaves Bridgend at £25,000

Bridgend Group blamed a downturn in turnover at its wholesale distribution offshoot for a fall in profits from £295,000 to £25,000 before tax for the six months to end-

The division's sales fell from 26.32m to 25.6m leaving group turnover from continuing operations some 7 per cent lower at 27.6m. Operating profits of the sector declined from £061,00 to £317,000.

The group has interests in distribution and leisure. It said its investment pro-gramme had "paid off" and that it had received "indicative offers" for certain of its

expected significant sales in the second half.

to 0.1p.

Litho Supplies pathfinder forecasts jump to £4.3m

By Cathorine Million

LITHO Supplies, which claims to be the UK's largest independent distributor of printing. products, is coming to the mar-ket through a piscing and intermediaries offer likely to

The pathfinder prospectus published yesterday forecasts pre-tax profits ahead by 27 per cent to \$4.33m, compared with 28.35m for 1992, on sales of

EDL.To. 212m, some 23m should go to the board and employees with £9m to institutions led by As a result, the company

Rarnings per share emerged at 0.06p (0.7p) and the interim dividend is reduced from 0.3p shareholders and the 47 per cent stake held by the

value the company at about

Litho hopes the proceeds will break down into £15m of new money and £12m from sales by existing shareholders. Of the

The flotation is likely to reduce both the 53 per cent stake of existing institutional

October 1993

Banque Indosuez Sverige

Nordfinanz Bank Zürich

Banque Paribas

board and employees, beyond the diluting effect of the new

Mr John Byford, joint managing director and deputy chairman, said the proceeds would reduce borrowings of £9.5m.

Litho was formed during a 1991 management buy-out from Pembridge investments which acquired various Litho businesses as part of its hostile takeover of DRG, the printing and publishing group, in

The company estimated the market for consumable products, the bulk of its turnover, at £250m a year and 50 per cent of this is supplied directly by manufacturers. Litho claims a 40 per cent share of the balance and a 10,000-strong cus-

The highest paid director will this year receive a salary will this year receive a salary of just £34,900, excluding a profit—related bouns of £82,565. local newspapers from 3.5 per cent and its ranking from eighth to sixth.

Net assets up 48% at Govett Strategic Trust

Govett Strategic Investment Trust, the small and medium companies specialist whose shareholders recently voted for its life to be extended, had a net asset value, after taking prior charges at par, of 298.07p per share at September 30, an advance of 48 per cent on the

201.03p at the same stage last Attributable revenue for the year to end-September amounted to £7.03m, down

from 27.23m. Earnings per share were down from 7.36p to 7.16p.
The final dividend is main-

tained at 4.1p, giving an unchanged total of 6.75p. Shareholders, who voted at an ECM in September for a continuation of the trust, in 1991 won the right to vote on its liquidation at the 1998 annual meeting and at subse

Recession in France curbs Le Creuset

on November 9.

Le Creuset, the France-based but London-listed maker of cast iron cookware, announced almost static pre-tax profits of £1.16m for the six months to June 30.

Mr Paul van Zuydam, chairman, said progress had been tions in France allied to high French interest rates and a reiatively strong franc.

Although turnover advanced to £19.3m (£17.8m), volumes on cast iron products were down, particularly in France. However, volumes of Screw-pull wine accessories contin-

med to torrown. Le Creuset recently acquired Germany-based Wolo, which will distribute Le Creuset and Screwpull products as well as Weber Keitle barbecue grills and Zyliss kitchen helpers in

Earnings

stock. Firsh pence.

European Leisure plans

debt conversion European Leisure, the disco and snooker hall operator, is planning to convert some of its debt into a combination of new ordinary and preference shares, writes David Black-

well. Mr Ian Rock, chief executive, said that negotiations with banks were at an advanced stage. Details would be announced, along with full-

year results, "sometime next The group last March reported pre-tax profits of £54,000 on turnover of £35.3m for the six months to end-December. Net debt was £76.6m, giving gearing of 227 per cent. Distributable reserves were

madequate to pay dividends. Mr Rock said that the restructuring proposals were not a crisis move. The group already had in place banking facilities to the end of next

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Income rise at Marine Midland

By John Gapper, Banking Editor

MARINE MIDLAND, the US retail banking subsidiary of HSBC Holdings, yesterday reported a 62 per cent rise in net income for the third quarter of the year to \$48.5m (£32.1m) against \$29.9m. The bank made no provi-

sions for loan losses in the

quarter after its non-accruing per cent (4.79 per cent), loans fell to \$430m (\$759.8m). Other operating inco Despite making no provisions. its ratio of reserves to non-accruing loans increased to 87.3

per cent (74.1 per cent). Net interest income rose to \$189.2m (\$173.7m), helped by a rise in credit card assets. Total assets rose by 2.7 per cent to \$16.8bn, and net yield on inter-

est earning assets rose to 4.99

Other operating income fell to \$50.5m (\$82m) because of a one-off gain from the sale of mortgage backed securities last time and a drop in fee

income. The tier one ratio of capital to risk-weighted assets, an important measure of capital strength, rose to 9.85 per cent

(9.29 per cent).

share improved to 4.8p (4.6p). July.

DIAK	JENUS	ANNO	UNCEL	,	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Betterwareint	0.65	Jen 3	0.5		2
Bradford Propint	2.0	Jen 8	2.4	-	5.4
Bridgendint	0.1	Jan 4	0.2	-	0.4
Cairdint	nii	-	1.33	-	1,33
Govett Strategiofin	4.1	Jan 5	4.1	6.75	6,75
LAWS Afin	7.18	-	1	2.1	2
Pressecfin	1.82	Dec 14	1.65	2.57	2.4
	4 550000	Pa 7	1 00075	4 476	7 075

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Number

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27th October, 1993

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stripped of their benefits.

In general, to remain under

the terms of the new treaty

companies will have to show

that they are rooted in the

Netherlands through one of

Ownership. The company

must be 30 per cent Dutch

Active trader. It must be a

significant trader, through a

four principal justifications:

owned.

Betterware's 21% rise fails to impress City

By Catherine Milton

SHARES IN Betterware yesterday fell 23p to 192p, despite the home shopping company reporting a 21 per cent increase in interim pre-tax

Mr Andrew Cohen, chief executive, put down his glass and wailed: "I don't understand the stock market and I don't suppose I ever will."

The board, which brought forward publication of the results in a bid to halt a share price drop from its high for the year of 280p, declared an interim dividend of 0.65p (0.5p), payable from earnings of 5p (4.29p) per share.

Pre-tax profits rose to 27.6m (£6.3m) in the 28 weeks to September 11 on turnover of £34.4m (£29.4m), including door to door sales of household products up at £28.4m (£23m). The company's sales force,

which now reaches 45 per cent of the population once every eight weeks, increased by 1,000 to an average of 10,000 with revenue steady at roughly 28 Mr Cohen said he had failed

to reassure some in the City about the company's ambitious plans to expand in continental Europe, although half year sales in the French operations - launched in 1991 - had exceeded £1m, giving trading profits of £100,000. Betterware has recently started selling in Spain and is

set to move into Germany in its next financial year. "We don't seem to be able to reassure them. I am so bloody frustrated," Mr Cohen said,

He was unrepentant about the sale of 13 per cent of his family's then 63 per cent stake in June which precipitated the fall in the share price.

The sale raised some eyebrows in the City because Mr Cohen had previously said he had no plans to reduce the stake.

Yesterday he said firmly: "I am in the business of owning Betterware shares in the long term. If the shares continue to drop I will buy them back."

Operating profits from the main direct selling division expanded 20 per cent to £6.99m (£5.86m), a slower rate than the 23 per cent rise in sales. Its other division, a miscel-

lany of consumer products manufacture and coffee shops held for sale, returned operat-ing profits of £151,000 (£140,000) on sales down at £5.97m

Betterware's expansion into Europe comes too late to compensate for a slowdown in Uk ales growth, dropping from 25 per cent year-on-year in the first quarter to July to 19 per cent for the first half. The Cohen family's unhappily handied share sale, which opened the way for a bear raid, and results just below best expectations left the City expecting more than yesterday's business-as-usual presentation. Analysts shaved pre-tax profit forecasts to about £16m from a maximum of £18m which puts the company on a multiple of 18.8, roughly in line with the

P&O plans flotation of US properties

PENINSULAR and Oriental Steam Navigation yesterday announced that it was preparing a market flotation of some 6,677 US garden apartments.

The apartments are part of Laing Properties Inc., a 50:50 joint ventura between P&O and

They were acquired when the two companies staged a £495m takeover of Laing Prop-

The takeover was effected through an investment vehicle – Pall Mall – and in March 1992 Laing's worldwide portfolio, with the exception of the US properties, was divided between P&O and Chels-

P&O said it would next week file a notice with the US Securities and Exchange Commission for the flotation of the portfolio as a real estate investment trust.

REITs, property companies with management, acquisition and development capabilities, offer investors the opportunity to participate in diversified portfolios Analysts estimate it could be

worth some \$500m (£331m). P&O said Laing Properties Inc would continue to own some 2.7m sq ft of commercial property, which was part of the dealing portfolio, and was expected to hold some 25 per

cent of the REIT. Analysts have said property sales would help P&O to reduce gearing - which stood at 70 per cent in September and raise funds at a time when cash generation by its other operations was being hampered by recessionary mar-kets.

Hawtal in the black

A SIGNIFICANT upturn in activity enabled Hawtal Whiting, the Essex-based automotive design engineer, to move from losses of £1.38m to profits of £402,000 pre-tax for the half year to June 30.

Turnover at £34.5m was 26 per cent ahead of last time's

The main contributors to the recovery were the North American and German operations: both were showing continued

The UK, however, remained difficult and was so far showing little signs of recov-

ery. The results also benefited from a £122,000 reduction in interest charges to £545,000. There was a swing from losses of 22.9p to earnings per share of 0.08p.

The directors said earnings had been held back in part by high tax on overseas profits which could not be offset

Pressac close to important order in US

By Andrew Baxter

PRESSAC Holdings yesterday announced a 6 per cent rise in annual profits and said it was "reasonably close" to winning a breakthrough order from a Japanese car manufacturer in the US for its instrument cluster circuit boards.

The Nottingham-based manufacturer of automotive, telecommunications and lighting products lifted pre-tax profits from £1.84m to £1.95m in the year ended July 31, after an exceptional charge of £147,000 (£177,000) relating to redundancies. This was despite a slight fall in turnover from 233.7m to 233m.

from 4.7p to 4.86p.
The final dividend is increased 10 per cent to 1.82p, making a total of 2.57p (2.4p) for the year.

Earnings per share rose

Mr Roger Boissier, chairman, said increased demand for cars in the UK had been more than negated by a severe decline in the rest of Europe, Excepting telecommunications and specialist engineering, demand fell during the

Pressac has spent more than £10.3m over the past three years to improve its production facilities, which increased efficiency and helped improve market share. Mr Geoff White, chief executive, said it had also helped the company win

The completion of the instrument cluster circuitry plant in Alabama would allow the company to penetrate the important Japanese transplant market in the US.

Pressac was also looking to expand its recently-acquired automotive heated mirror business, especially in the

In telecommunications, Mr White said opportunities for Pressac's connectors were starting to materialise in the cable TV market.

In lighting, Mr White said the Masonlite neon component subsidiary was working with General Motors to develop neon for automotive in-car lighting and rear lights. This would take Masonlite into the automotive industry for the

first time. The increase in stocks required to cover the opening of the Alabama factory was in net borrowings from £2.9m to £5.9m over the year for

gearing of 41 per cent. However, group borrowings related to trading activities are expected to fall during the current year.

River/Merc Extra lifts assets 53%

Net asset value per ordinary share at River & Mercantile Extra Income Trust advanced 53 per cent – from 81.07p to 123.79p – over the 12 months to September 30.

The increase compared with a rise of 24.9 per cent in the FT-A All-Share Index. The value for the zero divi-

dend preference shares ssued in June to raise a net £9.7m - was 102.45p per share. Net revenue amounted to £3.45m (2.61m), equivalent to earnings per share of 9.3p, up from 7.07p.

A fourth interim dividend of

1.96875p is declared, maintaining the total at 7.875p.

Treaty that may spark a Dutch exodus

Netherlands investors face a tax threat. Andrew Jack and Ronald van de Krol report

Dutch readiness to forgo

taxes on profits, royalties and

interest generated outside the

country has attracted many

Now this position is under

threat. The treaty has long

been a thorn in the side of US

tax authorities, who have

spent the last 11 years negotia-

ting a new document with

their Dutch counterparts. The

foreign companies.

HE "half-Dutch" sandwich is going stale; the heady "mixers" are losing their fizz. Some of the favourite nourishments in the cupboard of the tax practitioner are under threat as the process of ratifying a new US-Dutch tax treaty gathers

speed.
The lower house of the Dutch parliament earlier this month approved the treaty; the upper house will consider it shortly. So too will the Senate foreign relations committee in Washington DC, Any day an interpretation of the treaty for senators will be circulated by the US Treasury.

details closely.

"Everybody you speak to now is very nervous," says Mr Bruce Lassman, head of the US

treaty will face increases in US withholding taxes on dividends from 5 per cent to 30 per cent. and on interest payments from sero to 30 per cent. The new arrangements are

holding companies as what tax advisers call "mixers".

take place onshore. They will be particularly

financing. It permits the US to impose a

Currently, finance companies in Switzerland pay only 4 per cent tax on the income remitted to a Netherlands company, which can then be repatriated to the UK without any further tax being levied.

Dutch companies because they have no tax treaty of their own, such as those from Hong Kong, the Middle East, South Africa and Latin America.

They have typically invested in the US via a Dutch company, in turn owned by a Netherlands Antilles company - an arrangement known as a half-Dutch sandwich. If they invested directly, the US would

Many British companies will be among those watching the

tax desk at accountants Ernst & Young in London. "A large number of companies may be restructuring after this year."
Those businesses ceasing to be eligible under the revised

likely to threaten many UK companies which use Dutch

They reduce tax payments by offseting tax liabilities from operations in high-tax and low-tax countries before repatriating it to the UK, since British tax law does not allow this to

affected by provisions in a pro-tocol agreed last month between the two governments on Swiss branches of Dutch companies, which are used for

15 per cent withholding tax unless income from Swiss branches is taxed at more than 17.5 per cent.

Among other companies and

individuals affected by the treaty will be those who have invested in the US through

levy a 30 per cent withholding tax. The US-Dutch tax treaty reduces that to 5 per cent, and a Dutch-Antilles arrangement levies just a further 5 per cent, saving them 20 per cent. The significance of the Netherlands to the international tax industry is undenia-

Every year, the country emerges as the third largest investor in the US, closely behind its much bigger competitors, Japan and Britain. For a country the size of the US state of Maryland, that would be quite a feat - except that it includes substantial investments through Dutch subsidiaries as well as indige-

The Netherlands' attraction as a springboard for activities in the US stems from its 1948 double taxation treaty with the United States, which is among the oldest still in effect between the world's industrialised countries.

nous Dutch companies.

result was initially signed just before Christmas last year. The indications are that both the Dutch and the US are keen to press ahead rapidly with rattfication, partly reflecting the tougher line on foreign corpo-

rations voiced by President

Clinton. If both governments

approve the treaty by December 1 this year, it could be in force by January 1 1995. The original 100-page treaty and the related documents released

since are highly complex. "The question is whether it is twice as long as the next longest treaty," says Mr Lessman. Under the existing treaty, companies merely had to be

registered in the Netherlands to be eligible. Now they will have to meet stringent tests to prove that they are economically "rooted" in the country. That means financing subsidiaries and matibox companies will almost certainly be

test such as being at least a tenth the size of the US business by an average of assets, gross income and payroll. · Headquarters. It must demonstrate a substantial portion of the overall supervision and administration of the group, have discretionary authority to take decisions or have subsidiaries in at least five countries.

per cent of gross income.

Ruling. If it meets none of these tests, the company can still appeal for a discretionary ruling if it can argue that it was created to obtain benefits allowed under the treaty.

each contributing at least 10

One way for UK companies to remain within the bounds of the treaty is to reorganise or restructure by 1995.

"It might seem a long time, but for an entire reorganisation it's actually quite short,' says Mr André Boekhoudt, a tax partner at KPMG Meilburg. Possible options for UK companies would be to transfer

Netherlands, to seek a Stock Exchange listing for their Dutch-based sub-holding or to acquire industrial or business activities in the Netherlands and embed them in the existing company.

Mr Lassman says a number of companies have talked about relocating in Ireland, but that this has little benefit for UK companies. He hears many others talking about obtaining approval for their existing structures by the Internal Revenue Service in the US - which cannot take place until after

ratification. Mr Nicholas Dee, tax director of Smithkline Beecham, views the new treaty bleakly, even though his Dutch "mixer" companies do not exploit the existing treaty with the US. "It is part of a wider trend of the US attitude to international tax," he says. "If they override these treaties, there is a real risk of double taxation. Our concern. is that this is an example of US imperialism."

The effects are not all negative. Dutch compa-1 nies may face some extra red tape in establishing their right to invoke the treaty in the first place. But the US has thrown out at least one important concession in appeasement. Dutch pension funds may be able to receive dividend and interest income with no withholding tax, against 5 per cent at

ABP, the big Dutch civil servants' pension fund, said the treaty "could certainly be beneficial for us", but stressed it was still trying to understand the details.

For the Dutch economy, the implications are less clear cut. Lawyers, accountants, banks and trust companies have done a lively business in advising foreign companies on how to use the Netherlands as a tax-efficient base.

In the short-term, that activity is likely to increase as companies seek advice in untangling the implications of the new

In the long-term, many will remain because of the Netherlands' extensive network of double-taxation treatles. But there may well also be an exodus of clients.

Monarch Resources placing raises £3m

By Kermeth Gooding, Mining Correspondent

SHARES IN Monarch Resources fell 8p to 159p after the London-quoted gold company with operations in Venezuela announced a placing of 2m new shares to raise 23m net and a slight increase in interim pretax losses from \$1.87m to \$1.93m (£1.27m).

Mr Michael Beckett, chairman, said the losses for the six months to June 30, equivalent to 0.13 cents (0.128 cents) a share, were attributable to the Revemin plant, which recorded losses of \$473,000 (\$437,000) and to "somewhat higher overhead

Turnover was \$3.2m (\$3.93m). arch more flexibility to continue its heavy exploration programme while working on the La Camorra gold mine project.

The share placing gives Mon-Carl von Rohrer, a Munichbased fund management group which was also a sub-under-

writer of Monarch's £19m rights issue in June 1992, is subscribing for the new shares at 116%p each. Mr Beckett said the shares

represented about 4.5 per cent of the enlarged capital but would be spread through various funds. In spite of unexpected water

problems during recent devalopment work. La Camorra was on budget and on schedule to start operations in June 1994. Mr Beckett recalled that La Camorra was expected to be one of the world's lowest-cost gold mines with cash costs of about \$115 a troy ounce. Mr Anthony Ciali, president,

said Revemin's performance had improved compared with the second half of 1992 when it recorded a \$1.41m loss. Drilling at the Canalma con-

cession had resulted in indicated resources of 163,000 ounces of gold with 69,000 "inferred resource" category.

Serco launches offer for rest of NZ associate

Serco Group, the contract management company, is paying up to £1.4m in an attempt to take its holding in Serco Group New Zealand from 47 per cent to 98 per cent. The balance of the shares

are held by management and staff in New Zealand. Serco is offering one share for every 31.25 of B and C shares and NZ\$1 (37.3p) for each D share. If accepted in full 103,040 new shares would

The four executive directors have agreed to accept in respect of shares representing 38 per cent of the issued capital. They are retaining a 2 per cent holding.

Serco NZ was the result of the privatisation in 1990 of the Property Services division of Works and Development Services Corporation.

In the year to June 30 it achieved a net profit of £268,000 on turnover of £18m. Net assets at the end of the period were £1.2m.

Acquisition behind rise to £1.1m at GBE Intl GBE International, the

engineering equipment company formerly known as Downlebrae, reported pre-tax profits of £1.08m for the half year to June 30, against £803,000. The results were the first since the acquisition of GBE in

June and were prepared on a merger accounting basis. Turnover totalled £18.3m (£15m) with acquisitions put-ting in £17.3m (£14.2m). Earnings per share emerged at 1.37p

Mr Gerald Edwards, chairman, said the outlook for the remainder of the year was encouraging and he expected

further progress to be made.

The results of the enlarged group are bissed towards the

The process engineering companies, which were part of the acquisition, had a good first half and were well ahead of the previous year, the company said.

However, the old Downiebrae divisions incurred losses. Mr Edwards said that an improvement in trading had recently been experienced. Operating profits of £1.21m

(£990,000) were struck after losses from continuing activities of £93,000 (£42,000). Interest payable fell to £131,000 (2187,000).

Geared Income debenture issue

Geared Income Investment Trust has completed the issue of an unlisted zero coupon debenture to a single institutional investor to raise about 44.82m net The debenture, which has a

semi-annual gross redemption yield of 8.263 per cent, is repayable in 10 years'

It is secured by a first floating charge on all the company's assets.

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27th October, 1993

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In accordance with the terms and conditions of the Notes, notice is hereby given that for the three moath interest period from (and including) 26th October 1993 to (but excluding) 26th January 1994 the Notes will carry a rate of interest of 5.7875 per cent, per annum. The relevant interest annum. The relevant interest payment date will be 26th Jan-uary 1994. The coupon amount per £10.000 Note will be £145.88 **Hambros Bank Limited**

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Due 1995 conditions of the Notes, not hereby given that for the three month interest period from (and including) 26th October 1993 to (but encluding) 26th January 1994 the Notes will carry a rate of interest of 5.7875 per cent, per annum. The relevant interest payment date will critical per cent, per annum. The relevant interest payment date will be 26th January 1994. The coupon amount per £5,000 will be £72,94 and per £100,000 will be £1,458,77

Hambros Bank Limited

Agent Bank

Floating Rate Notes

SWALEC

INTERNATIONAL

CableTel

The undersigned acted as strategic and technical advisor to SWALEC throughout the transaction.

INCORPORATED

SOCIETE GENERALE USD 372,000,000 SUBORDINATED FLOATING RATE NOTES DUE 1998

Amount: USD 19843.06 for the denomination of USD 1,000,000

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has entered into an agreement to form a new CATV and telecommunications company with

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For the period October 25, 1993 to April 25, 1994 the new rate has been fixed Next payment date: April 25, 1994

> THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15 Avenue Emile Reuter LUXEMBOURG

Quarta

DE

Quarta springs into action

The gaping tear left in the management structure of motor components-to-aerospace group BBA by the forced resignation through illness of group chief executive John White in August is about to be

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1. Jan 1. 124 180

Roberto Quarta, 44, American-born son of an Italian tal-lor, is to move from his main board directorship at BTR to take over White's job from

Quarta, who had been seen as one of the main rivals for BTR chief executive Alan Jackson's job as and when the latter retires, is expected to continue White's strategy of increasing BBA's growth around its core businesses of motor components, industrial

quit Lasmo

Michael Pavia, finance director of Lasmo, the independent oil

exploration and production

company, is to leave the com-

pany at the end of the year -

the latest in a series of moves among senior executives as the

company searches for a strat-

egy to see it through a troubled period of weak oil prices.

been with Lesmo for 14 years, had been the subject of much

market speculation since the

middle of last week. Joe Darby,

John Ainsworth (below

centre), chief executive of

SCAPA Group's European

is the chairman of Scapa

Scandiafelt; Brian Littler

(below left) and Anders

joint mds. Harry Tuley

of Scapa-Porritt and

engineered fabrics division.

Scandia, created by the merger

Göthlin (below right) are the

remains chairman of Scapa

The future of Pavia, who has

Pavia to



materials, aerospace equipment and electrical equipment. Some BBA watchers who have been expecting BBA's acquisition rate to slow could

chief executive, says his depar-

ture was "one of several changes ... following a thor-

ough review of the company's

strategy and management".

Earlier this year, John Hogan was appointed chief operating

officer and Peter Nolan took over as head of exploration,

while Darby himself only

joined the company in Febru-

City sentiment towards Lasmo has been decidedly

gloomy of late, in large part because of its vulnerability to

low oil prices, and the prospect

Group.

Philippa Foster Back, a former finance director at D.C.

Gardner and chairman of the

Treasurers, has been appointed

Examination Boards of the

group treasurer at THORN

Association of Corporate

Colta Child has been

appointed group finance

director of NATIONAL

still be in for a surprise. Quarta, said to rejoice in the nickname CS - for coiled spring - among some colthe group to mark time for long after getting his feet under White's desk.

Apart from a four-year stint with motor and sircraft components group Hitchener in the US. Quarts has been a BTR man since 1978, when BTR took over the Massachusetts controls company of Which he

controls company of which he was then a wice-president.
In addition to his main board role – undertaken at the start of this year – he has been chief executive of a number of BTR divisions, including automotive construction services and

any additional moves were being planned, although at least one non-executive post will open up next year. Pavia's departure comes after a particularly active year, in which he helped Lasmo to raise \$600m on the US capital markets. He also recently completed the financing of Lasmo's £350m share of the development costs for the Liverpool Bay oil and gas field, one of the projects which the company is

hoping will boost its fortunes in coming years. Lasmo says there are several internal candidates for finance director, but executive search consultants will also be used.

of growing debt to finance new Darby yesterday denied that EXPRESS GROUP; he succeeds

Adam Mills who continues

as deputy chief executive. Diana Scott-Kilvert, latterly a consultant and up to 1990 managing partner of Broadbent-Jones & Partners, has been appointed to the board of PRO NED. Marcus Renfield, formerly sales and distribution director of LYONS Tetley, has been

appointed md of its Turkish subsidiary, Tetley Cay Ticarei. Melcolm Parkinson, a non-executive director of James Latham and a former chief executive of Woolworth Holdings, has been appointed md for Europe and the Middle East for SIEGEL & GALE, based in London.

Brian Summers, formerly deputy md, has been appointed nd of BIRMINGHAM INTERNATIONAL AIRPORT to replace Bob Taylor when he retires in April next year.

Bodies politic

The Civil Aviation Authority has appointed Rod Lynch, 44, to its governing board. The CAA board comprises a selec-tion of full and part-time members with financial, aviation, air safety and other appropri-ate qualifications and experience. It is responsible for civil aviation policy in the UK, including air traffic control and safety regulations. Its chairman is the Rt Hon Christopher Chataway, the former government minister.

Lynch is currently managing director of resources, engineering and services at the British Broadcasting Corporation, having joined the BBC from Forte Hotels - where he was sales and marketing director - in

May this year. But Lynch can offer the CAA more than guidance as to improvements in its catering. He worked for 20 years in the airline business before moving to Forte: 18 with British Airways - where he became head of customer services - and two as managing director of Air

Antonio Necci, and of Italian Railways FS, has been elected INTERNATIONAL UNION OF RAILWAYS (UIC). Patrick O'Shea, departy group and of Avonmore Foods, has been elected president of

the EUROPEAN ASSOCIATION OF LACTOSE MANUFACTURERS. David Thomas has been promoted to take responsibility for the local government division of the CHARTERED INSTITUTE OF PUBLIC

FINANCE AND ACCOUNTANCY following the retirement of Arthur Boulter. Roger Hayes (below), formerly vice-president, public and government affairs at Ford of Europe, has been appointed director-general of the BRITISH NUCLEAR





FINANCIAL TIMES CONFERENCES

DOING BUSINESS WITH SPAIN

- The economic challenge of the new Government Madrid, 1 & 2 December 1993

The FT's annual conference, arranged with Expansión and Actualidad Económica, will review the economic, budget and labour policies of the new Spanish Government as well as important questions on Europe's future and the conditions for monetary and political union.

The distinguished panel of speakers includes:

D. Pedro Solbes Mira Minister of Economy & Finance, Spain

D. José Antoñio Grinán Martínez Minister of Labour & Social Security, Spain

D. Miguel Roca Junyent Convergència i Unió (CIU)

D. José María Zufiaur Narvaiza

D. Juan Antonio Sagardoy Bengoechea University of Macho

D. Matías Rodríguez Inciarte

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D. Luis Angel Rojo

D. Miguel Cueñca Valdivia instituto Nacional de industria.

Mr William O Walker Jr Du Pont Ibérica, SA

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Repeal, SA

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RENEWABLE

The Finnish forest is a renewable . The Finnish forest industry does not and natural resource. A unique oppose recycling. Indeed in Finland regeneration programme ensures that 300 million saplings are international standards - more than planted every year to encure the continuous growth of this precious, contented to be used again. And asset, which covers two things of Finland's total land surface area.

Only indigenous species are Paper helping to preserve Finland's partie biodiversity. In the fore which are privately owned by foresters - selective thinnings and regeneration cuttings are prevailing forestry practices which add to the creation of a healthier and more natural forest.

RECYCLABLE

dene the recovery rate is high to half of the resoverable material is

recycling work hand in hand.

does not las flores can only five times. So a

commeous supply of primary fine products is necessary to keep the cycle in motion it is of paramount importante to ensure that this primary naterial comes from a reliable so rce

RESPONSIBLE

Type of Business

The aim of the Finnish forest industry is to safeguard the renewal of Finnish forests through successive natural regeneration d active planting. Increased recording and the continual development of manufacturing chnologies which aim to control russions and reduce energy consumption, are at the top of the industry ist of priorities along with he common is investments made each year to further environmental

Forestry is part of Finnish heritage and the Finnish forest industry can truly be trusted as the guardians of one of the planet's most valuable natural resources.

The Finnish Forest Industries Federation hopes to g the issues that surround the forest industry into the limelight for discussion.

As part of its efforts, the association will host a national seminar in London on 1st December 1993. For further information on this and the Finnish Forest Industries Federation, please contact our UK Information Office at 54 Poland Street, London W1V 3DF.

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By Kieran Cooke in Singapore

THE WORLD'S biggest tin producers have agreed a series of measures that they hope will reduce global stocks and raise prices.

The Association of Tin Producing Countries, at the conclusion of a meeting in Kuala Lumpur, said 1994 tin exports by member countries would be limited to 78,000 tonnes – a 13 per cent reduction from the present annual exports permitted under its quota regime.

The ATPC groups Malaysia, Indonesia, Nigeria, Thailand, Australia, Bolivia and Zaire. For the present China and Brazil, two of the world's biggest tin producers, remain outside the association. But carlier this week the former country agreed to join the ATPC by the end of the year. China's tin exports, which are said by some ATPC delegates to have been as high as 30,000 tonnes last year, are felt to be one of the main reasons for

Mr Lim Keng Yaik, Malaysia's minister of primary industries, said low tin prices were also caused by increased sales of tin stocks by the US Defence Logistics Agency. Tin prices in Malaysia, once the world's higgest producer, dropped to a historic low of M\$10.78 (M\$4.22) a kilogram last month, compared with M\$32 ten years ago.

"We hope the measures taken will induce an upward

els." said Mr Lim.

The association, while noting that tin prices had rallied somewhat in recent weeks. said the most important task was to reduce the global tin stockpile, at present estimated to be 40,000 tonnes. "It is reasonable to expect a meaningful depletion of around 10,400 tomes in the stock level during 1994, thereby reducing the total overhang to a more manageable 28,500 tonnes" said

Keeping the faith in a falling market

Kieran Cooke talks to a mine operator who refuses to admit defeat

R SIA Hok Kiang, a Malaysian tin miner, rounded by jungle anxiously watching the latest prices on his computer screen.

The tin market was falling yet again. Ten years earlier the metal had been fetching between M\$32 (US\$13) and M\$34 a kilogram at the Kuala Lumpur Tin Market; now It was down to M\$10.80.

"It just can't go on like this," said Mr Sia. "There's no sense in tin prices being so low. By any judgment, prices will have to start rising again." He has since been proved right - last week the KLTM price touched M\$12.71, but that was still well below the break-even level for most of the world's producers.

Mr Sia is managing director and part owner of the world's most extensively developed underground tin mine at Sungei Lembing, a remote settlement at the end of a valley on peninsular Malaysia's east

At the turn of the century 5,000 miners were producing more than 4.000 tonnes of tin a year at Sungel Lembing. Now only 55 miners work at the

"I am ashamed to say how little we are producing now," said Mr Sia. "We are mining enough to cover costs and stop the mine falling into total neglect. That's all we can do with prices being the way they

Malaysia was once the world's leading tin producer. Tin is part of the country's history: hundreds of thousands of immigrants from Ching originally came to the country to work the tin mines. But with prices falling, tin nines have been closing. Ten years ago Malaysia was producing more than 60,000 tonnes of tin in concentrates. This year production will probably fall to

below 10,000 tonnes.

Mr Sia, a geologist who, through a varied career, has prospected for gold in Peru and

These traders are able to manipulate prices between Kuala Lumpur and London," he explained. "They buy cheap and make a killing when prices rise. The Kuala Lumpur market should be shut down, then trading would be much more transparent." Sungei Lembing was origi-

nally developed by Cornish tin

There's no sense in tin prices being so low. By any judgment, prices will have to start rising again.

diamonds in central Africa, is one of the few in the tin industry confident about the future. "Tin cannot just go out of fashion," he said. "It's still an essential metal, a vital part of so many products."

Mr Sia's optimism was based on the view that global demand for tin remained strong, at about 160,000 tonnes a year, while all the signs pointed to a fall in world production

"There is a lot of rubbish being talked about the collapse in tin prices," he insisted.
"People talk about growing production by China and about the US selling off its tin stockpiles. That alone doesn't explain the price drop. I think the market is being manipu-

Mr Sia forecast that the world stockpile of tin, estimated at about 40,000 tonnes, would soon start to fall. And he accused some traders of inventing figures on world production and creating an artificial surplus.

miners 100 years ago. The mine, stretching over an area of 4,000 acres, has 500 miles of workings and in some places shafts go down more than 2,000

Only a very small portion of the mine is now being worked, but the echoes of more prosperous times still fill the area. The mine office is lined with musty books from the old Sungei Lembing club, once centre of activity for more than 100 expatriates. Pre-war British equipment, some of it still in use, is everywhere. Supported by a loan from the

Commonwealth Development Corporation, Mr Sia and a partner took over Sungel Lembing in 1989. The previous owners, a Malaysian concern, had gone into liquidation because the fall in tin prices following the coliapse of International Tin Council's price support operation four years certier. Mr Sia had to buy the old equipment back from the liquidator.

Mr Sia spends much of his time computerising the old

records of the mine. "The British kept thorough recordings of geological structures for every six inches of tunnel advance," he said. "When I came here they were stacked cailing high: I now have a complete record of the workings from the turn of the century up to 1986. Only the war years. when the Japanese flooded the

mine, are missing. Sungei Lembing has more than 700,000 tonnes of proven and probable ore reserves, con-taining nearly 10,000 tonnes of recoverable metal. Mr Sla said the average grading was about 1.5 per cent, though some fairly extensive workings contained about 15 per cent.

"Last August I found a very rich deposit with 55 per cent grading," said Mr Sia. "With tin prices so low I don't want to mine this precious reserve. But obviously such rich deposits are easier to mine and give a far better return."

Substantial amounts of money have to be invested in the mine to shore up the tunnels and replace rusting railway tracks. To cover costs Mr Sia is contemplating using the mine's surface area to plant palm oil and other cash crops.

"Some people call me eccentric," admitted Mr Sia, "but I'm determined to keep Sungei Lembing open. If prices are still down at present levels in a few years time I might have to concede defeat. But if prices rise, I'll become a big player in the market. There are those who describe tin mining as a sunset industry. I say that the sunset is always followed by the sunrise.

WEEKLY MINOR METALS PRICES

Prices from Metal Builetin (last week's in breckets). ANTIMONY: European free market 99.6 per cent, 3 tonne, in warehouse, 1,560-1,625

(1.570-1.615). BISMUTH: European free market, min. 99.99 per cent, \$ per ib, tonne lots in ware-

house, 2.30-2.50 (same).

market, min. 99.5 par cent, \$ per 76 lb flask, in warehouse, per lb, in warehouse, 0.38-0.42 95-110 (same).

COBALT: MB free market, 99.8 per cent, \$ per lb, in warehouse, 11.55-12.10 (11.60-12.15); 99.3 per cent, \$ per lb, in warehouse, 10.65-11,20 (10.70-11,25). MERCURY: European free

CADMIUM: European free market, min. 99.99 per cent, \$

MOLYBDENUM: European

BALT BANK MAGAN - COM

10.87 10.88

C3000 Previous

Turnover 15 620 lots of 50 tonnes.

10.69

High/Low

10.66 10.61

free market, drummed molybdic oxide, 2 per lb Mo, in ware-SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.45-5.25.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 WO₂, cif, 27-37 (same). VANADIUM: European free market. min. 98 per cent, \$ a lb

V₂O₂, cif, 1.30-1.45 (same). URANIUM: Nuezco exchange value, \$ per lb, U_sO_s, 6.90

Aluminium crashes to 8-year low

By Kenneth Gooding. Mining Correspondent

ALUMINIUM'S PRICE crashed through an important technical support level yesterday to end the day on the London Metal Exchange at its lowest point for eight years.

The full triggered widespread selling on the LME, driving copper prices down to fresh six-year lows and taking zinc to near six-year lows, lead and nickel to near seven-year lows while tin was near its lowest point for 20 years.

Analysts suggested this reflected the fundamentally gloomy world economic situa-

week from	+3,625	to 2,260,1
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ead	+875	10 269,0 00
laion)	+516	10 118,820
es.	+4,400	W 657,700
in	+190	to 20,630

tion, huge and rising stock levels and unrestrained exports from the former Soviet Union. No improvement could be expected until at least half-way

Three-month aluminium was \$1,074.75 a tonne at the close on the LME, down \$38.50, helped on its way by news that stocks in exchange warehouses had risen by another 3.625 tonnes to a record 2,260,175 tonnes. Analysts said the next technical support point was

The price is now perilously near 45 cents a lb (\$991 a tonne) which the Anthony Bird consultancy group recently described as "a disaster price" that would quickly force westem producers to close another 2m tonnes of annual capacity on top of the 1.4m tonnes already temporarily shut

Unpropitious time chosen for British Coal's export drive

By Gerard McCloskey

COAL BRITISH understandably pleased with itself this week as it begins to ship its biggest export order this year - for 100,000 tonnes of steam coal to a Danish electricity generator. But it could hardly have chosen a more difficult time to make a push into the European market.

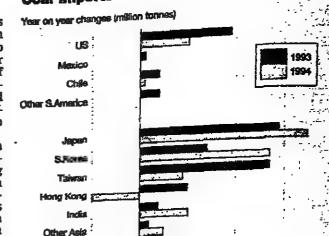
Steam coal prices look set to fall once again for 1994 deliveries. Contracts are now being concluded between the South African producers and the Belgian utility Electrabel at prices \$3 below last year's, giving a 1994 price at the South African export terminal of \$27 a tonne. With ocean freight rates from Richards Bay to Rotterdam around \$6.75, delivered prices into north-west Europe look

unlikely to exceed £22 a tonne. Although some of the power companies in Europe - the Netherlands' GKE for example - will be paying slightly higher prices for better quality coals, many will be seeking, and getting, deliveries at spot-related prices. Stadtwerke Bremen in Germany is believed to have settled first quarter 1994 business at \$21 f.o.b. Richards Bay and the two Danish utilities.

Elsam and SK Power, at below

\$20 from South Africa. Outsiders, seeing a market where supplies are threatened by the US coal strike and the sudden rise of Russian rail freight rates to \$20 a tonne (they were \$2 a tonne two years ago), will find this weakess difficult to comprehend. But weak power demand in Europe and in Japan has resulted in poor purchase levels, particularly from companies that had been counted on to be big buyers - Electricite de France, Italy's ENEL,

Coal imports



Source: McCloskey Coal i While ENEI has been cutting back its annual purchases from nearly 10m tonnes to about 2m tonnes this year, EDF. Power-Gen and National Power have been transformed into companies selling on their imports rather than signing up for new business. Earlier this year EDF found itself in the embarrass-

ing position of paying suppliers either to delay or cancel deliv-Although some expansion in purchases can be expected in Europe from GKE, from Electricidade de Portugal and from Morocco, 1994 looks likely

to be as gloomy as 1993. In contrast to Europe, the Asian market is undergoing a boom. Although a cool wet summer kept demand down and hydro supplies up in Japan, the sheer volume of new coal-fired power stations coming on to the grid bodes well for irresistible growth throughout the decade. Elsewhere in Asia - particularly this year in South Korea demand for imports is mounting as much from new power stations as from, in southern

India and on China's Pearl river, inadequate indigenous

supply.

The price outlook in Asia should be very different from Europe's, with new demand not matched by the new supply. But the perversity of the settlement calendar puts the Japanese steel producers, like their European competitors all making losses, ahead of the power utilities, so weakening the steam coal exporters' prospects relative to those of their coking coal cousins. If they do have to take price cuts this . year - and the weakness of the Australian dollar certainly makes cuts that much easier to accommodate - it will be doubly galling since export stocks have fallen throughout the year to reach a four-year low at the end of September.

However, the vigour of the Asian market will do little to improve the prospects for those who believe British Coal's redemption will be through a sustained export campaign. What pickings there will be over the next 12 months will be lean and cheap.

Researchers unlock secret of locust swarms

By Alizon Mattiand

SCIENTISTS IN Kenva have identified behaviour-modifying chemicals in desert locusts that could be used to prevent them from swarming and devastating crops in Africa and

Professor Thomas Odhismbo, director of the International Centre of Insect Physiology and Ecology in Nairobi, told a meeting at the House of Commons in London yesterday that research into preventing locust plagues was "moving right direction".

His team has isolated chamicals which make many locusts reach sexual maturity and lay their eggs within a very short time of each other. This brings

WORLD COMMODITIES PRICES

large numbers together and leads to swarming and migration to crop-growing regions.

Prof Odhiambo said the

and the British power compa-

research, which is costing \$1.2m a year, could end the need for mass spraying of locust breeding grounds in semi-arid savannah where the insects serve an important role in recycling nutrients such as

nitrogen.
"When you spray as you have been doing for years at the beginning of each outbreak, it's in very fragile environments. You're not asking permission from the pastoral communities and the insecticides end up in the camel milk which these people drink," he

If the research was success- are," he said. "From next year be needed.

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ful, it could also overcome problems that arise from the misplaced generosity of International donors, he said.

Donated pesticide left over from previous locust plagues was now lying leaking in dumps in Morocco and Somalia. "These countries don't know how to deal with expired insecticides," he said. "There's no incinerator anywhere in Africa.

Prof Odhiambo said it was too early to specify how the chemicals would be used to prevent swarming and keep the locusts in their isolated, grasshopper state.

"In normal breeding grounds there are probably less than half a dozen locusts per hect-

our concentration has to be in the field to understand how these chemicals are responsible for managing this behavlour. We think we've identified a small population in Namibia which has never swarmed and we need to understand why."

They also wanted to discover what made swarms of locusts break up and return to their isolated state.

The research is being funded by the United Nations Development Programme, the International Fund for Agricultural Development and the German and Swedish governments. The initial four-year programme and Prof Odhiambo thinks at least 10 years of fieldwork will

THES AND

4-15 611 Bus

MARKET REPORT

The GOLD retreated from near the top of its recent trading range yesterday, but found support again above the \$365-a-troy-ounce mark. Dealers said physical buyers and bargain-hunting investors were acted by a fall towards \$366, but the price still ended London trading with a net fall of \$4.50 at \$367.25 an ounce. Gold's performance undermine SILVER market sentiment and the junior precious metal closed in London at \$4.361/2 an ounce, down 9 cents. Silver has run out of steam and some of its technical indicators have now turned slightly bearish." one trader commented. The

London Warkets

Crade oil (per barrel FOEM)	eci	+ 91 -
Pubel	\$14,43-4.47	+0.060
Grant (Dans (Daniel)	\$15.86-6.90	-0.T40
Srent Blend (Dec) W.T.J (1 pm est)	\$19.06-0.32 \$17.46-7.49u	-0.140
Astron for burn end	\$17.AG-7.A3U	-07.17E
Oil products		
(NWE prompt delivery per a	orane CIF	+ 00" +
Premium Gusoline	\$184-187	-2
Gas OII	\$168-169	
Heavy Fuel Oil	\$61-63	
Nephtha	\$154-157	-3
Petroleum Argus Estimutes		
Other		+ at -
Gold (per tray as)	\$367.25	45
Silver (per troy oz)&	438.5c	-9.0
Platinum (per troy oz)	\$371.00	-5.35
Paliadium (per troy 02)	\$130.00	-1.10
Copper (US Producer)	84.Sc	
Leed (US Producer)	33.50c	
Tin (Kuala Lumpur merkal)	11.90m	-0.53
Tin (New York)	220.0c	-9.0
Zinc (US Prime Western)	Unq	
Cattle like weight?	119.85p	+2.86*
Sheep (live weight)†	79.11p	-1.31*
Figs (live weight)	65.60p	+0.69*
	\$264.5	20
London daily sugar (raw)	\$294,3 \$296.0	-6-4
London delly sugar (white) Tate and Lyle export trice	\$220.0 £290.5	
tithe team rikes enthour burds		
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.0	
Wheat (US Dark Northern)	2188.5	
	61.00p	-0.25
Rubber (Nov) 9	61.25p	-0.25 -0.25
Rubber (Dec)♥	81.25p	-0.5
Rubber (KL RSS No. 1 Jul)	IIV4WII	7.0
Coconut all (Philippines)§	\$435.0v	-2.5
Palm Oil (Makayslant)	\$335.0u	-2.5
Coora (Philippinesis	\$265.0	
Sevabeans (US)		-1_0
Cotton "A" index		-0.05
CARROLL AT THE PARTY.		

3370 2 a tonne unless otherwise stated. p-pencal/g. c-centarlb. r-ringgit/kg. z-Nov v-Jan/Feb u-Dec L-Sept/bct w-Nov/Dec VLondon physical-SGIF Rot-terdam. § Britton market close, m-Madaystan centra kg. \$Sheep prices are now live weight prices. aluminium market collapse (see story above) knocked the stuffing out of other base metals. NICKE fell away, with London Metal Exchange stocks continuing to rise and the market in need of further production cuts. But LEAD seemed to find some modest support near \$400 a torme for three months delivery, and with fundaments not as depressed as other metals closed only marginally lower on the day. The London Commodity Exchange COCOA market falled to live up to early promise and the March futures position closed £2 down at £969 a tonne. **Compiled from Reuters**

	Laten	Previous	High/Low
Design	16.29	16.37	18.49 18.25
Jen	10.80	16,58	16,70 16,46
Feb	16.86	16.77	16.85 16.65
African Control	15.80	16.85	16.95 15.80
Ари	16.88	16.95	17.07 16.86
No.	17.00		17.10 17.00
باليال 1	17.06	17.14	17.15 17.08
ألال	17.11	17.49	17.20 17,18
Aug	17.22	17.32	17.36 17.29
		16.88	16.62
Turnover	20057 (36	16.88	16.62
Turnover	20057 (36	16.86	
Turnover GAS OIL	28857 (36 - 1176)	16.86 3106) Previous	16.62
Turnover GAS Off.	20057 (36 - 1876) Chops	16.88 3106) Previous 186.00	16.62 \$/
Turnover GAS OIL How Dec	28857 (36 - BPE) Close 164.50	16.86 109) Previous 186.00 185.00	16.62 \$/1 High/Low 186.00 164.50
Turnover GAS Off. How Dec Jen Feb	20057 (36 - limit Close 164,50 164,50	16.86 1106) Previous 165.00 165.00	16.62 \$/1 High/Low 166.00 164.50 186.00 164.50

-	104°2n	IOOTHI	10000 104730
81	164.50	185.00	165.75 164.25
eb Ce	184.25	184.50	165.00 183.76
lane .	163.25	163.50	163,75 163,00
(CFT	162.25	162.50	162.50 161.78
-	161.00	201,588	161.00 160.75
un	160.00	160.50	160.50 159.50
ul	161.00		161.00
Unione	r 16317 🖂	10882) lots (of 100 turnee
UGAR	- LCE		(S per tonne)
UGAR fisto	Close	Proseque	(S per torne) High/Low
		Pro-Pub 282.50	
filte	Close		High/Low
rinto En	Close 201,00	282.50	High/Low 282.00 281.00
ffeite im ter	Close 2791,00 278,80	282.50 279.00	High/Low 262.00 281.00 279.50 278.70

BWC \$410, BTD \$355, BWD \$375; C and F Antwerp BTC \$365, BWC \$365, BTD \$345, BWD \$345.
COTTON Liverpool-Spot and shipment sales amounted to 40 tennes for the week ended 22 October, against none in the provious week. Subdued offisike did not bring many operations. Support was forthcoming in certain specialist styles.no-tubly in the System range.

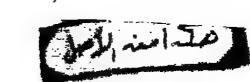
coca	A- ICE			2/janna
	Ciose	Previous	High/Low	
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Adr .	959	971	965 969 981 971 987 971 967 977	
Avy U	971 971	975	981 971	
E .	971	975 978	967 971	
ep lec		957	963 953	
	954 953	966	THE REAL	
lay	956		989 958	
ui lep	954 955		972 972 976 98 5	
CCO in or Oct 5 915.	er: 7103 G ndicutor p 25 930-9 49 (912-7)	7117/jots of fices (SDFs 15 (S21.13) 11	10 torries per torriel, D day average	ally price a for Oct
COPPE	E - LCH	_		\$/tome
	Dom	Previous	High/Low	
lov	1165	1176	1175 1160	
	1178	1197	1197 1171	
lar	1171	1179	116 116	
isty isty	1165	1174	1180 1163	
4.8/)			5 tonnes per pound) to 5 day awarag	pr 57.63
VIAI	025 - LC			£Agretô
VIAI	Close	Previous	High/Low	£/tor≈10
pr			High/Low 86.0 87.0	2/kg/m6
×	Close	Previous		
pr tay	67.5 109.8 r 59 (101)	Previous 67.3	86.0 87.0 103.0 102.5 000008.	
pr tay	Close 87.5 103.8 7 59 (101)	Previous 67.3 103.0 lois of 20 t	86.0 87.0 103.0 102.5 00766.	
pr lay unore	Close 87.6 103.8 r 59 (101) ft - LCE	Previous 67.3 103.0 lois of 20 t	86.0 87.0 103.0 102.5 panes. \$10/mg	
or one	Close 87.6 103.8 r 59 (101) ft - LCE Close 1325	Previous 67.3 103.0 loss of 20 t	86.0 87.0 103.0 102.5 0076s. \$107mc High/Low 1332 1316	
X ay move	Close 87.5 103.8 r 59 (101) ft - LCE Close 1325 1300	Previous 67.2 103.0 lots of 20 t	86.0 87.0 103.6 102.5 08166. \$1076.0 High/Low 1332 1316 1295 1270	
or any amove ct or sc	Close 87.8 103.8 r 59 (101) ft - LCE Close 1325 1300 1300	Previous 67.3 103.0 lois of 20 3	86.0 87.0 103.0 102.5 panes. \$107kg High/Low 1332 1318 1295 1270	
or ay anove anove act	Close 87.5 103.8 r 59 (101) TT - LCE Close 1325 1300 1307	Previous 67.3 103.0 lois of 20 3 Previous 1322 1265 1232 1315	86.0 87.0 103.0 102.5 contes. \$107m2 High/Low 1332 1316 1295 1270 1310 1285	
CT C	Close 87.5 103.8 r 59 [101] ft - LCB Close 1325 1300 1307 1335	Previous 67.3 103.0 lois of 20 3 Previous 1322 1265 1232 1315 1340	86.0 87.0 103.0 102.5 08766. \$10766 1332 1318 1205 1270 1275 1310 1285 1356 1350	
Printer Care	Close 87.5 103.8 7 59 [101] TT - LCE Close 1325 1300 1307 1335 1331	Previous 67.3 103.0 lois of 20 s 103.0 lois of 20 s 1322 1265 1232 1315 1340 7231	86.0 87.0 103.0 102.5 contes. \$107m2 High/Low 1332 1316 1295 1270 1310 1285	
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Leed \$ per	torane)				
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Jul #40.7 #51.3 Sep #22.5 454.6	451.0 0	450.0 0
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Oet 72.10 72.65	High/Low 72.15	72.10
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CITENDE CIL (Light) 42,000 U.	galls \$/be	mulí
Use 17.44 17.51	Highlan	
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Jef 18.52 18.5n	18.53	18.43
Aug 18.52 18.59 Sep 18.60 18.68	18.65	18.52 18.60

EA1	TRNG OIL,	12,000 US g	ells, cents/L	JS galis	- Ch	nicag	10		
	Latest	Previous	High/Lox	7			_		
Nov	82.20	52.81	52.90	52,10	_ BOY/		,000 bu min;	cente/GUID bi	athel
Dec	82.95	\$3.05	83.70	52.75		Close	Previous	HighVLou	, ——
len	53.65	83.71	54.15	53.45	Nov	650/5	623/2	624/4	518/4
	93,70 53,20	53.96 53.36	54,25 83,65	53.70	Jan Mar	628/4	630/6	632/4	827/0
	52,40	52.51	62.75	53.20 52.40	May	639/0	841/6	8394 843/0	634/2
in.	\$1.70	51,66	81,90	51.70	Jul	642/6	645/0	647/0	637/4 641/4
lut	51.35	81,21	51.80	51.35	Aug	842/0	844/4	645/0	841/0
lui	51.60	51.41	61.70	51.40	Sep Nov	631/0	632/2	B34/4	631/0
wg	62,40	51,96	52,40	52,40			824/6	626/4	622/0
)OC(3A 10 tom	es;\$/tonne			- 3017		. 60,000 lbs; e	DOMESTICS	
	Close	Previous	High/Lov	,		Close	Previous	High/Low	
lec	1129	1148	1157	1122	. Pec Jan	23.10 23.19	23.10	23.32	22.97
Aer .	1170	1180	1194	1162	Mar	23.37	23.17 23.35	23.3 6 23.54	23.05 23.22
ley	1186	1198	1207	1177	Mey	23.40	23.38	23.68	23.29
d	1196	1208	1219	1190	Jul Aug	23.40	23.38	23.00	29.30
leg Sei	1212	1235	1234	1212	Sep	23.20 22.90	23.18 23.00	23,40	23.16
ter ter	1228 1234	1238 1244	0	0	Oct	22.95	22.65	22.85	0 22.65
lay	1254	1256	0	9	SOYA	SEAN ME	AL 100 tores		26.00
ui	1288	1270	0	Ö	,	Close			
ep	1287	1289	0	ā	-		Previous	High/Low	
OFF	E 10° 27	,500lbs; cer	tte/fbu		Dec	192.6	193.9	193.9	1925
					Jun Mar	192.9 194.0	193.9 195.3	194.0	192.5
_	Close	Previous	High/Low		May	194,8	195.3	195.1 196.1	194.0
86	74.70	74.25	75.85	72.80	النال ا	196.3	198.1	197.7	194,8 196,3
ler	77.30	76.85	78.50	75.75	Aug	136,5 198,5	198.2	197.7	198.5
lay .	78.80	78.50	79.80	77.90	Oct	196.3	197,8 198,0	197.0 197.0	198.5
4 40	81,80	79,85 81,00	80.20 82.50	80.20	MAZ		min; canta/5(197.0	196.0
96	83.80	83.30	0	81,00				po bushel	
ler .	86.40	86.00	a	6		Ciose	Previous	High/Low	
uq.	A WORLD	-11- 112 0	00 Ros; cent		Dèc Mar	256/0 264/0	258/4	257/4	254/0
					May	267/6	264/4 268/4	265/2	262/0
	Close	Prodous	Hgtv/Low		Juli	288/6	209/4	299/0 270/4	266/0
ar .	10.47	10.46	10.53	10.41	Sep	200/0	260/4	261/4	267/2 259/2
ph.	10.84	10,83	10.69	10.50	Dec Mar	252/4 259/2	252/4 259/4	253/4	251/0
il ct	10.89 10.88	10.69	10.70	10,64	_			0	Q .
_		10.68	10,89	10.54	MINES.		with centeris	Olb-bushel	
OTT	DN 50,000	ibe; cents/i	be .			Close	Provious	High/Low	
	Close	Previous	High/Low		Dec	331/0	336/2	338/0	330/4
BC -	57,36	57.23	57,74	67.00	May	329/2 316/6	333/0	333/0	328/4
-	59.27	59.03	59.55	57.28 59.20	Jul	311/4	320/4 312/2	320/4	318/0
ey .	60.20	59,93	80.40	60.15	390	314/8	315/2	312/4	310/4
ı	60.90	60.80	61.00	90.90	Dec	322/6	323/0	315/0 323/0	313/6
d	61.00	61.82	0	0	LIVE	ATTLE 40	,000 fbs; cert	- Carl	321/0
SC .	61,92	61.85	82.05	81.85		Close			-
_		62.55	0	Đ.	Dec		Previous	High/Low	-
	AE TNICE	15,000 fbs:	CONTRACTOR		Feb	73,825 74,500	74.450	74,550	73.800
	Close	Provious	Highlaw		Apr	75.975	74.575 75.375	74.860	74.400
_	112.30				Jun	72.950	72.950	76.150	75.900
74 R	115.25	114,00	114,80	112.10	Aug Oct	71.500	71.400	73.150 71.800	72.875 71.500
	117,50	117.00 119.00	117.50	115.00	Dec	71.825	71.875	72.125	71,800
	179.10	120.50	119.50 120.50	117.50		72.250	0	a	0
í	120.60	122.00	121,25	120.00 120.00	TANK H	UG\$ 40,00	00 lb; cents/fb	3	
P	121,40	122.75	0	O 15000		Close	Previous		
W	119.10	120.50	0	ā	Dec	47.975		High/Low	
	119.10	120.50	0	0	Feb	48.825	48.175 49.000	48,500	47,825
	119.10	120.50	0	0	Apr	47.275	47.375	49.325	48.700
_					Jun	51.450	51.560	47.500 61,800	47.125
	CES				Jul Aug	60.575 49.350	60.526	50.850	51,400 50,550
Æ	TERS (Be	e:Septemb	r 18 1931 .	100)	Oct	45.40g	49.350	49,500	49.300
	Oct 28		math ago		Dec	45.600	45.500 0	45.450	45.250
	1585.5	1597.8	1687.0	1647.1	PORK		0.000	0	0-
DOM			31 1974 = 1	000		Cler	0,000 fbs. ca	Mu/lb	
	Oct 25	Oct 22	mus ago		Feb	Close	Previous	High/Low	
pat	119,22	120.04	121.58	ут адо 112.92	May	57,300 57,400	57.775	58.550	56,850
	130.28	129.65	125.68	114,93	May	57.400 57.500	57.775	58.500	56.800
					أفيعات	58,800	58.075 59.175	68.80g	57.300
					Aug	58,100	39.1/5 58.37a	59.100	58.100



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THE UK SERIES

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Continued on next page

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FINANCIAL TIMES WEDNESDAY OCTOBER 27 1993

Big US selling bruises equity market

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The second of the

A PROMISING early performance by UK share prices, triggered largely by Wall Street's move to a record closing high overnight, was dismantled from mid-morning onwards by a very disappoint-ing quarterly survey published by the Confederation of British Industry and some bad news on the US economy.

The equity market, now showing distinct signs that its upsurge this month could have run out of steam, came under heavy fire from some of the big and influential US investment banks and stockbrokers. It was a sudden burst of heavy buying interest from these same US sources that triggered the big upward move in the UK stock market, during late August and in the middle of

this month. One senior trader said: There was a big hit on the market this morning when some of the Americans offered large chunks of the Footsie future, which dropped sharply to a level where the arbitrageurs moved in Rather omi-nously no-one around the market was happy to take the offers, and the market tone deteriorated from then on." He added that he still felt comfortable with the market but that he saw little upside for the

next few days. The FT-SE 100 Index began

the session in good form, reflecting Wall Street's move on Monday to an all-time peak, and showed a near nine-point gain during the morning and before the news from the Con-federation of British Industry

survey was published. The CBI quarterly survey was every bit as gloomy as some market observers had feared, saying that the economic recovery had slowed

and calling for a reduction in domestic interest rates in the

November 30 Budget.
This news, coupled with a very disappointing index of US consumer confidence this month, drove the FT-SE 100 down to the day's low point of 3,164.8, a fall of exactly 20 points, before it stabilised to close a disappointing session 19.5 down at 3,186.3.

When Chairy Coy's

disturbed by the US consumer confidence index performance, which at 59.4 per cent, was well below general expectations that were in the region of 63 per cent.

LONDON STOCK EXCHANGE

A number of UK commentators expressed concern about the equity market's recent per-formance. "I would like to think the market peaked at Footsis 3,199," said Mr Robin



The strategy team at Na

Securities, in their latest Equity Market Commentary,

pointed to "a deluge of profits downgrades so far this month five upgrades compared with

18 downgrades - an uninspir-ing results season and a couple

Account	Deeling	Dates
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Lasmo **finance** chief quits

ALL EYES will be on the performance of Lasmo today after confirmation came late in trading yesterday that finance chief Mr Michael Pavia is to

resign at the end of this week. Last week Lasmo repeatedly denied any imminent boardroom changes. The departure has been widely tipped in the market, with speculation gathering momentum over the past few days. One market watcher believes that more boardroom moves could be on the way. "It is an overweight board at the moment," he said, adding that the company is likely to pause. a while for the City to digest the consequences of Mr Pavis's

The finance chief's departure is by far the most important change that the City was expecting. "He has paid the price for Ultramer," said one analyst. Sentiment surrounding Lasmo plunged after its acquisition of rival oil company Ultramar early last year.

Takeover interest in Lasmo, on which there has been steady speculation since British Gas's unsuccessful attempt several years ago, may be heightened by Mr Pavia's resignation. Potential bidders may see the departure as a willingness on the part of Lasmo to take on new ideas. European companies, as opposed to UKbased ones, are expected to

show the most interest. Upbeat oil analysts believe the shares will bounce today as Lesmo has cleared the air of the persistent market rumours. "It will mark a turning point,"

NEW HIGHS AND LOWS FOR 1993

NIEW HIGHS (1963).

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AMERICANO (5) Chrysler, Dans, Espon. Echin,
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said one. Yesterday the shares held unchanged at 145p in modest turnover of 2.2m, although the announcement came in the last half-hour of

trading. Others believe the market had already factored Mr Pavia's departure into the share price, although they think there will be a short-term boost on the news. We may see US buyers becoming excited." US interests are thought to account for over 20 per cent of Lasmo shares.

Early speculation on a successor to Mr Pavis again focused on Mr John Walmsley, former finance director of Enterprise Oil who left the company earlier this year.

Ferranti tumbles

The announcement that troubled defence electronics group Ferrenti International was in talks that might lead to a bid for it at one pence a share saw the stock undergo a dramatic 73 per cent slump

amid record turnover. Although the mid-afternoon news had long been mooted in the market, it nevertheless took dealers by surprise and the group immediately dived 8% to 2%p, as volume socred to a bufty 38.0m.

The company did not dis-close its likely bidder but many in the market pointed the finger at defence electron-its group GEC, with one mar-ket watcher saying. "GEC is the most obvious candidate for a rescue. There is no doubt that a rescue is what it would be. We shall now wait to see what can be salvaged from this

sorry tale." There was also a feeling in some quarters that the UK government may be playing a part in brokering an agreement between Perranti and its suitor. Other candidates mentioned included French defence electronics group Thomson CSF. GEC shed a pearry to 341p in trading of 4.9m.

Thames Water slides The shock £25m provision

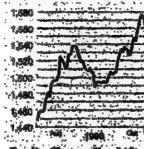
announced by Thames Water with its figures yesterday was the signal for helty profit-taking throughout the water sector. Shares in Thames were inevitably the worst hit, closing 13 down at 561p in high turnover of 5m. Elsewhere, Severn Trent slipped 8 to 555p. South West 10 to 602p, Southern 11 to 800p and York-

shire 12 to 578p. Yield considerations have sent the water sector soaring in the two months, the index of shares jumping nearly 15 per cent since the beginning of August. Mr Bill Dale at SG Warburg said: "The sector has risen so far so fast and was vulnerable to a short-term set-back, which the Thames provision duly provided. However, we believe Thames remains a core holding in the sector reflecting the strength of its efficient underlying business."

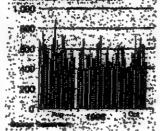
The Thames provision, which was taken against two overseas contracts, also reignited worries over diversifica-

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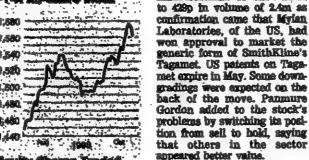


tion by water companies away from their core business areas. These concerns added to impending regulatory anxieties in the UK led to some limited switching into the electricity stocks. The sector also saw further heavy business in the gen-erators. Among the steepest rises, Yorkshire advanced 8 to 641p, Eastern 7 to 814p and Manweb 8 to 668p. Turnover in Scottish Power hit 8.1m, the

shares adding 3 to 4160. Salomon Brothers chose a basket of Recs (regional electricity companies) yesterday to launch a coverered warrant in the equity market. The warrant allows investors to buy an option - in this case \$1.50 which they can then excercise at any time over the next 49 weeks and buying the underly-ing shares of the Recs at the price at the date of the warrant's purchase. Yesterday, the strike price was £26.00. The issue coincides with Salomon's reiterating its positive stance

on the Recs.
The fall in the oil price hampered most stocks in the sec-tor. BP lost 2% to 337p in moderate turnover. Enterprise Oil gave up 5 to 476p. Against this trend was Shell which firmed a penny to 709p, with one analyst pinning some reason to good results by Exxon. A variety of factors con-

spired to bruise a recently bouncy drugs sector. Smith-



Glaxo was hit by Morgan Stanley moving from a "hold" to a "sell", retreating 23 to 691p. Some drugs analysts feel that Giazo has risen too high in the recent pharmaceuticals rally and that past 27 the

shares seem overvalued. Nervousness ahead of results due tomorrow - again hounded Wellcome and it gave

up 22 to 812p. In the slight backlash in drugs, Cantab was said by one analyst to have made a somewhat lacklustre debut on the market. It began trading at 465p, after being placed at 460p, rose to a high of 473p and trailed off to close at 468p. US support, particularly in the ADRs, was said to have lifted Cable and Wireless, up 15 at 958p and Vodafune, aboud

7 at 5610. Among financials yield buy-ers were seen early in the day in Lloyds, though having advanced to 574p, the shares followed the market lower to

close unchanged at 568p. Vague bid talk was once again heard in TSB where the shares edged half-a penny for-ward to 220p. Abbey National eased 4 to 413p, with the mar-ket with active dealing in the traded options reported.

S.G. Warburg was reported to be a buyer of Prudential Corp, up a penny at 371p. Food manufacturing stocks witnessed a mixed session as the recent directionless trading continued to dely broker recommendations. Ahead of the impending results season, Kleinwort Benson was one house believing the sector's recent underperformance over-done and advising clients to go

"overweight". Turnover in motors group BBA rose to 15.3m, making it one of the day's most actively traded stocks, as the company continued to bask in the glow of Monday's appointment of a former STR director as in new

FINANCIAL TIMES EQUITY INDICES

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EQUITY FUTURES AND OPTIONS TRADING

LARGE-SCALE US selling of Footsie futures left the December contract floundering with few friends in the market,

writes Christine Buckley. With sentiment knocked by the CBI survey on industrial trends, the flickering hope of an early interest rate cut proved too weak to give much support to the contract. Having been recently driven

upwards by the inflow of US money, American selling cut off an important lifeline. The downward drift began after the contract had mustered a climb from its opening at 3,182 to its day's high of 3,218. Then, after publication of the CBI's findings December was at the mercy of the strong

selling. Some institutions were buy-

ers though in insufficient numbers to provide a lift as the heavy US off-loading ran in tandem with intensive selling by independent traders.

A poor opening on Wall Street consolidated gloomy sentiment in the market

about 15 points. although December traded ahead of its fair value pre-However, its closing level of

3,180 was just on a per with the fair value premium to the

Action was moderate in traded options and volume reached 30,053 lots with a fairly even balance between index and stock options. The most dealt stock option was British Gas at 2,224 lots with the FT-SE 100 option at 8,090.

chief executive.

Kline Beecham "A" fell back 11. BBA shares jumped 12 to 1799, with sentiment further boosted by a strong recommendation from NatWest Securities. BTR followed the poor market trend, ending 5 off at 389p after volume of 4.8m.

Rolls-Royce shed 2% to 153p after Panmure Gordon advised investors to sell the stock. In its 46-page Engineering Quarterly review on the engineering and aerospace sector, the broker said of Rolls: "There is

no recovery in sight." Agency broker James Capel was said to have moved from a hold to a sell on Allied-Lyons, which retreated 7 to 591p.

MARKET REPORTERS: Joel Kibazo, Christopher Price,

Christine Buckley.

M. Other statistics, People 20

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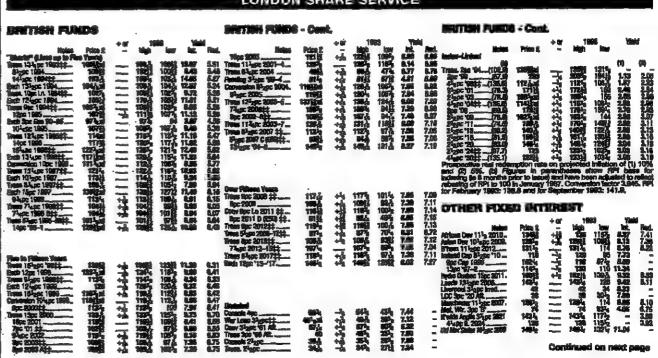
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LONDON SHARE SERVICE



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11 She is active in the current

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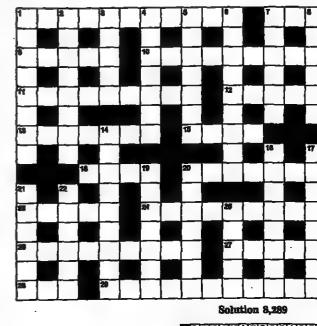
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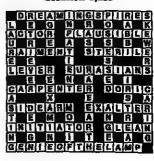
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Confidence data hit US dollar

THE US dollar fell briefly against a generally weaker D-Mark yesterday as the latest consumer survey showed that confidence in the economy had dropped, writes Peter John.

The correction marked the end of a one-week run which saw the US currency record a gain of some 7 pfennigs against

the D-Mark. Profit-taking in Tokyo on Monday night had already brought the dollar back from its highs against the D-Mark. Then, the latest consumer confidence index showed a fall to 59.4 per cent in October from 62.6 per cent in September against expectations of a rise. The dollar slid a pfennig

against the D-Mark but rallied

later to close at DM1.6810, up from DM1.6735 previously. By contrast, the Canadian dollar was down more than two cents against the US currency at one stage. Dealers said the Bank of Canada was intervening to dampen volatil-ity in the Canadian currency as it was announced that the Conservative party had been trounced by the Liberals in the country's general elections.

News that the Bloc Quebe opposition party revived concern of a resurgence of separat-

0ct 26	M MEN Y	Provious Class
f Spet	1,4780-1,4790 0.37-0.380m 0.65-0.84 2.55-2.50pm	0.38 0.37pm 0.85 0.84pm 0.85 2.48pm
Forward premis	ane and decounts	apply to the US

		Get 26	Printe
8.30 am 9.00 am 10.00 am 11.00 am Hoon 1.00 pm 2.00 pm 4.60 pm		80.4 60.4 80.3 80.2 80.2 80.2 80.4 80.4	80,4 80,5 80,5 80,5 80,5 80,5 80,5 80,5
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CURRENCY MOVEMENTS

Oct 26	Bank of England India	Morgen " Quarenty Changes %
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Average 1985-100) "Rotes are for Oct 25 OTHER CURRENCIES

Oct 26	£	8
Argentina	1.4820 - 1.4825	1.0000 - 1 0005
Australia	2.2195 - 2.2215	1.4975 - 1.4985
Grazii		166.175 - 166.18
Greece	8.5560 · 8.5860 356.715 · 357.455	5.7735 - 5.7936 240.700 - 241.201
	11.4526 - 11.4570	7.7295 - 7.7310
	2348.00 - 2949.95	1583.00 - 1585.0
	1199.40 - 1199.85	809.30 - 809.60
Kuneralk	0.44280 - 0.44355	
Lucembourg	53.80 - 53.90	
Malaysia		
Medco	4.6155 - 4.6170	3.1145 - 3.1155
N.Zealand		1.7970 - 1.7965
Saud Ar	5.5580 - 5.5590 2.3245 - 2.3280	3.7906 - 3.7515 1.5685 - 1.5695
S.Af (Cm)	4.9935 - 4.9980	1.5685 - 1.5895 3.3895 - 3.3710
SAI Fm	6.2315 - 6.2456	12050 - 42150
Tabuat	39.70 - 39.86	26.50 - 26.90
UAE	5.4425 - 8.4435	34725 - 3,8736

ism. There were also misgivings about the Liberal Party's economic programme. The Canadian dollar fell to C\$1.3260 to the US dollar at one stage and closed a cent lower at

The pound retreated from a Monday night gain against the D-Mark as investors took early profits. It fell further as the latest Confederation of British Industry quarterly industrial trends survey showed manufacturers' orders and output were flat in the past four months and export orders had

Sterling closed unchanged against the D-Mark at DM2.4875 while it fell against the dollar to \$1.4795 from

The D-Mark continued easier against rival European currencies as provisional west German consumer price inflation data for October came in much as expected and no signals were anticipated from today's Bundesbank repo. It slipped a centime to FFr3.48 against the French franc and fell against the Greek drachma and Norwegian krone in spite of interest rate cuts in Greece and Nor-

Greece cut its discount rate by half a point to 21.5 per cent and its Lombard rate by a percentage point to 25.5 per cent. Foreign investors had sold drachmas on worries over the new socialist administration but the weekend policy statement was mild and investors decided to readjust their posi-tions. The drachma closed at Dr143.55 to the D-Mark against Dr145.54 previously.

Norway's central bank cut its rate for overnight deposits to 5 per cent from 5.5 per cent and the krone rose to NKr4.351 to the D-MArk from NKr4.352. Portugal cut its nine-day repo rate by half a point to 10.375 per cent and the escudo eased to Es103.62 to the D-Mark

	ems ei	JROPE	AN CU	RRENCY	UNIT	HATI	E-20	
		Ess Central Pains	Characty Amounts Against Ea Oct 26	% Change from Genital Rate	123	Spread Mesicesi stracej	(Metro	paraco paraco
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YES	0.250	9.250	15.55	1000	54.11	13.64	17.48	14969	12.21	238.6	1235	8.1
FR.	1,155	1.709	2.874	184.8	10.	2.521	3.228	2766	2257	62.20	225.5	14
8 Pr.	0.458	0.678	1.140	73.28	3.965	. 1	1.279	1097	0.895	24.67	90.75	0.5
N FL	0.358	0.530	0.891	57.29	3.100	0.762	. 1	857.5	0.700	19.28	70.93	0.4
Lira	0.418	0.618	1.039	65.81	3.615	0.911	1.166	1000.	0.818	22.48	82,71	0.5
CS B.M.	0.512 1.857	2.745	1,273	81.88 297.1	4.431 18.08	1.117	1.429 5.187	1226	3,629	27.56	101.4	0.6
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MONEY MARKETS

Bank operations tight

UK interbank operations were tight ahead of a record sized government bond auction today, writes Peter John. The Bank of England fore-

cast a liquidity shortage of around £550m in the money market, later revised to £650m. The shortage was smaller than many in recent days with the result that the Bank of England did not offer early

UK clearing bank base leading rate 6 per cent from January 28, 1993

However, there was an unwillingness among market participants to accept Bank help at a second round at midday, when only £3m of bills were bought

A further £219m of band one bank bills were bought in the afternoon with discount houses principally meeting the liquidity shortage. After the official close, the Bank gave late help of £190m bringing the day's total to £412m.

Also, short sterling moved within a very narrow range in spite of a gloomy economic funds allocated, but the survey which might have amount is expected to be given further impetus for a UK similar to last week's interest rate cut.

output were flat and export One dealer said: "You can make a very very good case for a one-point cut now and short sterling is still only discounting a half-point reduction. I think the market is overbought and people are holding back ahead of today's

The short sterling futures contract for December was up at 94.65 in early trading but slipped back to close two basis points weaker at 94.59.

 German and French short-term interest rate futures held steady ahead of today's securities repurchase by the Bundesbank. German call money was quoted at around 6.5 per cent, little changed from Monday's levels, and dealers said the market was well-offered

The German Euromark contact for December was slightly easier at 93.88 by the close and the French December contract was unchanged at 23,73. Market opinion was split as

DM74.1bn and most dealers The latest Confederation of said the award would have no British Industry quarterly significant impact on short industrial trends survey interest rates. Call money was that UK seen holding above the repo manufacturers' orders and rate of 6.40 per cent this week.

FT LONDON INTERBANK FIXING (11.00 a.m. Oct 26) 3 months US dollars

The fixing ratios are the aritimetic recent counted to the nearest one-stateanth, of the bid and colleved rates for \$10m quoted to the market by fire reference banks at \$1.00 a.m. each working day. The banks are its about Westmater Bank, Bank of Tolqu. Soutache Bank, Banque Madicani da Parte and Morgan Gaustinty Trust.

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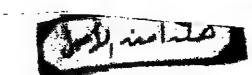
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data and profit-taking

Wall Street

PROFIT-TAKING and news of weakening consumer confi-dence sent US share prices lower across the board yesterday morning, bringing blue-chip and cyclical stocks down from their record highs, writes Patrick Harverson in

At 1 pm, the Dow Jones Industrial Average was down 15.65 at 3,657.96. The more broadly based Stan-dard & Poor's 500 was down 1.06 at 463.14, while the Amex composite was 2.05 lower at 473.53, and the Nasdaq composite down 5.45 at 764.30. NYSE volume was 158m shares by

Although prices firmed at the opening, after Monday's gains when the Dow rose to a new all-time high, it was clear that market participants had decided to take some quick profits. Consequently, an early 10-point gain turned into a 10point loss within the first hour of trading.

Profit-taking was not confined to the big blue-chip, industrial and cyclical stocks which lifted the Dow into record territory on Monday; secondary stocks posted their second straight day of big

The high level of share prices and the poor state of economic fundamentals continue to worry some investors. Concern about the economy will only have deepened yester-day after the Conference Board announced that its index of consumer confidence had dropped in October to 59.4. down from 63.8 in the previous

The news lifted bond prices for the first time in three days - in the process, the yield on the 30-year bond fell back under 6 per cent - but depressed equity market senti-

Among individual stocks, IBM rose \$1 to \$45% in early trading after the troubled computer giant unveiled a third quarter loss of 12 cents a share, smaller than analysts had expected. The stock, however, could not hang on to its early gains, and by early afternoon IBM was down \$% at \$44% in volume of 1.5m shares.

Leading Dow stocks which were in good form on Monday wilted amid profit taking. EastAllied-Signal eased \$1/4 to \$72%, Aluminum Company of America slipped \$% to \$70 and Minnesota Mining & Manufactur-

ing eased \$% to \$105. RJR Nabisco fell \$% to \$5% after the tobacco and foods company unveiled third quarter net income, sharply lower than a year ago because of the

Pharma Resources climbed \$2% to \$16% in heavy trading after the Food and Drug Administration said it would review the company's applications for generic drugs, a decision that opens the way for the company to seek new product approvals

National Health Laboratories slumped \$1% to \$13% in volume of 1.7m shares after the company issed a warning about lower third quarter reve-

Canada

TORONTO edged ahead in cautors awaited the first moves of the new Liberal government. The TSE 300 composite index

Dow hit by consumer Continent loses ground in late trading

BOURSES mostly opened higher on Wall Street's over-night gains and a higher dollar, but German stocks were an exception and the rest lost ground later in the day, writes

Our Markets Staff.
FRANKFURT extended Monday's post bourse losses, the DAX index dropping 15.67 to 2,058.72 on the session and the lbis-indicated Dax losing another 9.98 to 2.048.74 by the end of the afternoon. Turnover rose from DM8.4bn to DM8.8bn. National inflation figures

were mixed and the bond market was a little disappointed. Broadly-based profit-taking was seen in financials, where falls of 1 per cent were commonplace and Bayernhypo dropped DM10.50 to DM477. However, Deutsche Pfandbrief-und Hypothekenbank (DePfa) climbed DM21 to DM831 after the bank reported a 29 per cent profit rise in the first nine months of this year.

Some of the second line cyclicals posted gains. In the automotive sector, Continental and Varta, tyre and battery makers respectively, rose DM5 to DM243 and DM8 to DM326,

ironic. In the month when Sweden's blue collar trade

union has said that the coun-

in a recession, and the govern-

ment has predicted the worst

economic performance since

the Second World War for this

year, shares have broken

through the all-time high

At yesterday's close the

Affärsvärlden general index

showed a gain on the year to

date of more than 50 per cent,

making the Stockholm stock

exchange one of Europe's

interest rates, corporate recov-

ery and record foreign buying

have created the conditions for

the rally. Interest rates remain

on a downward trend, as the

central bank demonstrated last

week when it cut its key mar-

ginal rate (urther to 7.75

At the same time, the

weaker krona and massive cor-

porate restructuring have

made the big multinationals

much more competitive, caus-

ing exports and profits to

recover strongly in spite of

weak demand in key markets.

said last week that the econ-

omy had reached bottom, echo

ing common expectation that

economic growth will resume

next year after three consecu-

tive years of contraction. This

has encouraged investors, who

are getting ever less from keep-

ing money in the bank, to buy now for the recovery.

Adjusted for inflation, shares

are still well below their for-

mer peak in 1989. Strip out

Astra and Eriesson, the stock

market's star turns, and the

performance is still less

impressive. These two compa-

nies alone account for some

DE BEERS pulled ahead in a

generally weak market, gain-

ing 50 cents at R84.50, helped

by a rise in New York. The gold shares index lost 18 to

1.728 and industrials declined

15 to 4,487. The overall index

SOUTH AFRICA

dipped 10 to 3,881.

Sweden's finance minister

A combination of falling

reached in August 1989.

strongest performers.

while Porsche put on another DM19 to DM794.

The apparent rationale for these upgrades, in a rising US dollar and prospectively better profit margins, was not applied to front-line cyclicals like BMW, which fell DM6.50 on the session to DM624.50, and Daimler, DM5.50 lower at DM749.50. Ms Barbara Altmann, of B Metzler in Frankfurt, said that the gains lower down the size scale were dealer-inspired.

Trading in PARIS was suspended twice during the sion because of technical problems, following a similar difficulty on Monday. The CAC-40 index finished down 17.36 or 0.8 per cent at 2,210.37. Thomson-CSF lost FFr3.50 to FFr164.50 as some negative brokers' comments on the stock surfaced. One of them, from James Capel, forecast that 1993 profits were expected to fall to their lowest level since 1984, and would continue to remain under pressure in

1994 and 1995 Outside the CAC-40, Synthelabo, which on Monday shed 7.4 per cent, eased a further FFr6.60 to FFr221.50 following

FT-SE Actuaries Share Indices October 26 Open 10.30 11.00 12.00 13.00 14.00 15.00 Close 1384.38 1383.63 1383.25 1382.07 1381.84 1379.25 1377.15 1377.10 1447.44 1446.87 1445.32 1443.80 1442.21 1438.98 1438.29 1437.22 Oct 25 Oct 22 Oct 21 Oct 20

the withdrawal by the French also seen in dollar-sensitive regulator of the licence for its anti-anxiety drug. Mr Mark Tracey at Goldman Sachs com-mented that this action con-firmed his view of the company's weak product mix and saw the shares continuing to underperform the market.

L'Oreal, the parent group, shed FFr19 to FFr1,195. ZURICH forgot about following Frankfurt, and rebounded in active trading on the firm dollar and lower interest rates. While it closed off its peaks, as both the dollar and Wall Street weakened, the SMI index rose 15.3 to 2,700.2.

Selected insurance and chemical stocks led the advance, with strong interest

Sans value 1000 (25710/10) Hajisting: 100 - 1584.00; 200 - 1448.50 Louding: 100 - 1375.95 200 - 1458.50.

and Nestlé. Among chemicals, Sandoz bearers rose SFr60 to SFr3.780: in the insurance sector, Winterthur rose SFr14 to SFr794 and Swiss Re by SFr40 to SFr3,940, although Zurich Insurance fell SFr13 to AMSTERDAM lost pace

shares such as Surveillance

towards the close as the dollar softened and the CBS Tendency index slipped 0.7 to 135.8, having seen a day's high of Unilever added just 10 cents

to Fi 213.80, down from a day's high of Fl 216.40. James Capel has upgraded the stock to 'a buy partly on the basis that the group is well placed to ben-

efit from economic recovery and forecasts earnings growth of up to 11 per cent over the では、

2 2

4

next three years. Philips, after hitting a new year's high at midsession of FI 40.00, eased back to close off 10 cents at FI 39.20.

MILAN weakened on a late round of selling. The Comit index lost 6.68 to 585.53. Pressure was seen continuing in Flat shares which ended off L144 or 3.8 per cent at L3,706. also weakened with Stet down L113 at L4,058 and Sip down L94 at L3,529. Stet yesterday announced the sale of its 20 per

cent stake in a Dutch group.

ATHENS added weakness in construction stocks to the pressure on bank shares which drove the market down on Monday, and the general index closed another 9.22, or 1.1 per cent down at 836.75. The building sector declined on news that the Greek construction company, AEGEK, would be introduced to the exchange in November.

Corporate recovery boosts Swedish stocks

Strong overseas buying has also provided support, writes Christopher Brown-Humes

JR East flotation leaves Nikkei with 1.4% decline

Tokyo

STOCK PRICES lost ground as investors liquidated holdings to buy East Japan Railway shares which were floated yesterday, writes Emiko Terozono

in Tokuo The 225-issue Nikkei average declined 285.73, or 1.4 per cent,

Traders said overall trading was stack as investors focused on JR East shares, which were not traded until the end of the day because of a lack of sellers. The Nikkei rose to the day's high of 20,344.53 in the morning, and fell to 20,019.90 during

the afternoon, Mr Yasuo Ueki at Nikko Securities said share prices had declined as the rush of buy orders for JR East had clogged up the computer at the Tokyo stock exchange, making large programme buying of shares impossible. Meanwhile, smalllot selling by dealers on the day for Octobe settlements also depressed

Volume was 333.9m shares, against 312m. Falls overwhelmed rises by 967 to 109, with 107 issues unchanged. The Topix index of all first section stocks shed 24.13 to 1,645.31, and in London the ISE/Nikkei 50 index eased 3.83

to 1.295.28. Due to the lack of sellers, buyers raised their bids throughout the day for JR East, which was publicly offered in August at Y380,000. The stock finally traded at

Y600,000 at the session's end. However, in spite of previous hopes that trading in JR East would boost overall activity, stock prices lost ground, led by a fall in large-capital issues. Nippon Steel, the most active stock of the day, fell Y14 to Y335 and Mitsubishi Heavy Industries declined Y8 to Y683.

NATIONAL AND

tors who had bought JR East Y380,000 will put their profits back into the stock market. "Profits held by individual investors who bought the stock at Y380,000 are estimated to total Y300bn to Y400bn," said

one Japanese broker. Nippon Telegraph and Tele-phone, which was sold by investors wanting to buy JR East shares, retreated Y30,000

to Y843,000. Kajima, the construction company, lost Y2 at Y859 after public prosecutors arrested the company's vice-president for

allegedly bribing politicians. In Osaka, the OSE average slipped 239.38 to 21,982.02 in volume of 20.1m shares. The index dropped below the 22,000 line for the first time since July 28 on small-lot selling.

Roundup

MOVES in politically sensitive markets enlivened the region. NEW ZEALAND, where an election is due to be held on Saturday week, saw a 23-cent rise to NZ\$4.23 in market leader Fletcher Challenge, and a new four-year high in the NZSE-10 index, which closed

14.9 stronger at 2,113.01. The New Zealand government has a 6.7 per cent holding in Fletcher, which recently announced moves to simplify its structure by shaving off forest and rural servicing assets into separate companies. The 3.2m shares traded in the stock accounted for a big slice of the

market's NZ\$37.5m turnover. KARACHI closed higher for the 12th consecutive session, the KSE index rising 20.73 to a 1993 peak of 1,522.17. The bullish trend reflects the victory of Ms Benazir Bhutto's PPP (Pakistan People's Party) in the October 6 elections. BOMBAY dropped as fears

over a political crisis in the

undermined sentiment. The BSE index closed 40.8 lower at 2,700.3. In COLOMBO, however, foreign buying of Sri Lankan stocks took the all-share index up 14.57 to 758.93.

HONG KONG's Hang Seng index rose 58 points in morning trade as bergain hunters snapped up shares, and then fell back on profit-taking before ending 23.40 ahead at 8,790.90. Brokers said smaller companies were the main focus of trading, with China-linked shares holding up well. Turn-over eased from HK\$5.61bn to

> AUSTRALIA rebounded from morning lows, bargain hunters lifting the All Ordinaries index a net 8.8 to 2.055.7, after touching 2,039.9. Turnover was A\$310.2m. Heavyweights put in most of the recovery, BHP rising 22 cents to A\$17.16 and

> CRA 14 cents to A\$15.50. SEOUL saw healthy interest in electricity utility Kepco as composite index rose 5.45 to 747.97. Kepco climbed Won600 to Won20,800, but brokers were cautious, saying that heavy institutional selling pressure was lurking at the Won21,000 level.

MANILA's composite index advanced 12.35 to 2,243.55 in spite of an overnight correction in Philippine Long Distance Telephone, which dipped \$% to \$61% on Wall Street. TAIWAN, where plans to

ease curbs on foreign investment in the stock market were announced yesterday, fell on profit-taking, the weighted index slipping 8.92 to 4,091.17. BANGKOK got the jitters in

the morning following the dismissal of Mr Sawasdi Amornvivat, the national police chief, but the SET index came back from a low of 1,135.67, down 13.87, to finish 8.74 higher on balance at 1,158.28 in moderate turnover of Bt8.21bn.

t could hardly be more 24 per cent of total market capitalisation.

Ericsson has had a phenome nal year, rising from a low point of SKr172 in January to SKr444 yesterday. At these levels a huge recovery in profits is already being discounted; what seems to be driving the share price now is expectations of a very heavy inflow of orders in a booming world telecommuni-cations market.

Astra has performed less spectacularly, but its shares have still risen from SKr148 to SKr174, helped by very strong sales growth for key drugs.

These two companies apart. it has been the banking sector which has put in the best performance, on the strengthening belief that the worst of the Swedish banking crisis is now over. The bank and insurance index is un nearly 280 per cent since the start of the year.

Affiliavandan Indices rebased

Most analysts believe that the market will climb as interest rates come down and avidence of economic recovery becomes more visible. They point to a series of corporate tax reforms as another factor

which should help to sustain upward momentum The reforms, to take effect from January, will scrap taxes on dividends from Swedish

companies for domestic residents, and halve the capital gains tax on equities to 125 per The single most significant development on the stock exchange over the last 12 months has been the surge in overseas buying, which has lifted foreign share ownership

to around 24 per cent from just

10 per cent at the end of 1991.

International institutions have been attracted not just by the prospect of profits, but by a big increase in market liquidity. Foreigners now hold around 44 per cent of Ericsson, compared with 27 per cent at the end of last year, and some 38 per cent of Astra. Such levels of ownership make the stock

the behaviour of international investors. The obvious danger is that the market will suffer a setback if foreigners start to lock in profits.

There are other reasons to be wary, according to Mr David Longmuir, a Scandinavian specialist with James Capel in London. One worry is how much scope the government has for further deep cuts in interest rates. "The budget deficit is an enormous cloud on the horizon which will not go away," he

Another concern is the recent spate of rights offers and the prospect of new privatisation issues. These are making heavy demands on institu-tional funds and could stem the buying required to drive share prices higher.

This announcement appears as a matter of record only



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(Incorporated and registered as a public limited company in Thalland or the Public Limited Company Act B. E. 2535, registration no. Bor Mor Jor 101)

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October, 1993

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS			MON	DAY OCT	OBER 2	1993				FRIDAY OCTOBER 22 1993					DOLLAR INDEX			
Figures in perentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DIM Index	Local Currency Index	Local % chy on day	Gross Div, Ylaid	US Dollar Index	Pound Starting Index	Yen Index	OM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)		
Australia (89)	154.58	-0.6	154.22	105.92	134.49	153.58	-0.5	3.36	155.45	156.46	106.32	135.37	154,41	155.77	117.39	121.51		
Austria (17)	178.86	-0.2	178.45	122.56	155.62		-0.5	1.02	179.28	180.45	122.62	156.13		184.47	131.16			
Belgium (42)		+0.0	150.05	103.04	130.85	134.63	+0.2	4.28	150.36	151.34	102.83	130.94	134.42	156.76		138.71		
Cariada (107)	131.00	-0.4	130.70	89.76	113.97	124.22	+0.0	2.69	131.49	132.34	89,93	114.49	124.20	131.49	111.41	115.86		
Denmark (32)	238.54	+0.4	238.00	183.46	207.55		+0.5	1.04	237.71	239.26	162.58	207.00	217.26	239.12	185.11	186.57		
Finland (23)	125.09	+0.4	124.80	85.71	108.83	150.72	+0.1	0.69	124.63	125.45	85.25	108.54		125.09	65.50	64.48		
France (98)	171.85	+0.1	171.45	117.74	149.50	157.49	+0.0	2.95	171.71	172.82	117.43	149.51	157.57	173.05	142.72	149.30		
Germany (60)	134.82	+0.4	134.51	92.39	117.30	117.30	+0.3	1.81	134.23	135.11	91.82	116.89	116.89	136,13	101.59	109.93		
Hong Kong (55)	349.79	+0.7	348.98	239.68	304.34	347.09	+0.6	2.99	347.31	349.58	237.54	302.46	345.02	357,10	218,82	250.20		
Ireland (14)	172.30	+0.0	171,91	118.07	149.91	172.62	+0.0	3.25	172.30	173.43	117.85	150.05	172,62	174.50	129.28	135.21		
italy (70)	70.87	-0.4	70.71	48.56	61.66	85.19	-0.5	1,96	71.14	71.61	48.66	61.95	85.60	78.93	53.78	55,91		
Japan (469)	154.51	+0.4	154.16	105.87	134.45	105.87	+0.6	0.78	153.87	154.87	105.24	134.01	105.24	165.91	100.75	105.26		
Malaysta (69)	460.63	-0.4	459.57	315.61	400.76	452.20	-0.4	1,52	462.65	465.66	316.42	402.88	453.83	462.65	251.66	262.27		
Mexico (19)	1863.50	+0.9	1859.22	1276.90	1621.34	6342,59	+0.9	0.78	1846.96	1858.99	1263.23	1608.39		1863.50	1410.30	1432.99		
Netherland (24)	194.60	-0.1	194.15	133.34	169.31	166.93	-0.2	3.28	194.70	195.97	133.17	169,56	167.33	195.17	150.39	155.58		
New Zealand (13)	65.56	-0.2	65.41	44.92	57.04	62.57	+0.0	3,55	65.68	66.11	44,93	57.20	62.57	65.68	40.56	39.04		
Norway (23)	183.38	+0.2	182.96	125.65	159.55	181.32	+0.1	1.41	182.98	184.17	125.15	159.35	181.18	185.10	137.71	140.08		
Singapore (36)	327.49	+0.2	326.74	224,40	284.93	236.94	+0.0	1.43	326.93	329.06	223.61	284.70	235.99	332.55	207,04	184,15		
South Africa (60)	214.22	+1.0	213.72	148.78	186.37	195,95	+0.6	2.71	212.02	213.40	145.01	184.63	194.75	218.72	144.72	156.99		
Spain (42)	144.41	-0.6	144.08	98.96	125.64	146,44	-0.6	4.03	145,24	146.19	93.34	126.48	147,34	145.24	115.23	112.45		
Sweden (36)	201.96	-1.4	201.49	138.39	175.72	241.80	-1.0	1.40	204.77	205.10	140.05	178.32	244.18	208.92	149,70	160.28		
Switzerland (50)	145.90	-0.2	145.57	99.98	126.96	133,28	-0.3	1,63	146.14	147.09	99.96	127.28	133.64	148.18	108.91	112,00		
United Kingdom (217)	191.97	+0.5	191.53	131.53	167.01	191.53	-0.4	3.81	191.06	192.31	130.67	188.37	192.31	193.97	162.00	167,56		
USA (519)	189.20	+0.1	188.77	129,65	164.62	189.20	+0.1	2.72	188.93	190.16	129.23	164.54	188.93	191.56	175.38	170.68		
Europe (748)	162.34	+0.2	161,97	111.24	141.25	155,24	-0.2	2.95	162.07	163.13	110.85	141.15	155.59	162,97	133.92	135.85		
Nordic (114)	191.58	-0.7	191.14	131.27	166.68	199.64	-0.4	1.23	192.86	194,11	131.91	167.95	200.50	194.54	142.13	145,49		
Pacific Basin (713)	161.58	+0.4	161.21	110.72	140.58	114.88	+0.5	1.05	160.99	162.04	110.11	140.20	114.28	168.80	105.89	110.26		
Euro-Pacific (1461)	161.78	+0.3	161.41	110.85	140.75	131.12	+0.2	1.83	161.33	162.38	110.33	140.48	130.84	162.86	117.26	120.61		
North America (626)	185,58	+0.1	185.15	127.18	161.49	184.77	+0.1	2.72	185.35	186.56	126.79	161.44	184.51	187.68	171.51	167.27		
Europe Ex. UK (531)	143.19	+0.0	142.86	98.14	124.61	133.84	-0.1	2.39	143.25	144.18	97.99	124.77	133.98	143.73	112.51	116.53		
Pacific Ex. Japan (244)		+0.1	229.81	157.86	200.43	212.68	+0.0	2.73	230.22	231.72	157.48	200.50	212.64	232.16	152.70	159.36		
World Ex. US (1647)	162.39	+0.3	162.02	111.28	141.30	133.20	+0.2	1.86	161.94	162.99	110.76	141.02	132.9)	162.89	118.51	121.63		
World Ex. UK (1949)	168.21	+0.2	167.83	115.27	146.37	146.65	+0.3	2.00	167.87	168.96	114.82	146.20	146.27	168.66	134,22	134.35		
World Ex. So. Al. (2106)	170.12	+0.2	169.73	116.58	148.02	150.24	+0.2	217	169.74	170.84	116.10	147.82	149.96	170.46	137.29	137.20		
World Ex. Japan (1697)	180.62	+0.2	180.21	123.78	157.18	176.16	+0.0	2.78	180.35	181.52	123.36	157.08	176.13	181.53	157.47	155.43		
The World Index (2166)	170.31	+0.2	169.92	116.70	148.19	150.67	+0.2	2.18	169.92	171.02	116.22	147.98	150.38	170.68	137.32	137.24		

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Amendments to indices for 25/10/93 applied to the U.K., related regional indices and The World Index. Constituent of New Porturnans Units (U.K.), New Rothmans Units N.V. (Netherlands) and Vendome (U.K.). Deletion: Rothmans Interungwallable for this edition. Markets closed 25/10/93: Ireland and New Zealand.